



U.S. Department of State FY 2001 Country Commercial Guide: Kuwait

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I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Kuwait's commercial environment, using economic, political and market analysis. CCG's were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government agencies.

Kuwait's GDP for 1999 was US\$29.713 billion, up 17.4 percent from the 1998 level of US\$25.305 billion. The rise was almost exclusively due to historically strong international oil prices, and saw the contribution from the oil and gas sector to Kuwait's GDP rise from 31 percent in 1998 to about 37 percent in 1999. Per capita income for Kuwaitis rose 18.2 percent year-to-year, from US\$11,143 in 1998 to US\$13,176 for 1999, again, almost exclusively attributable to improving oil prices. Kuwait should show positive growth of about 25 percent in GDP for 2000, provided international oil prices remain in the US\$23-25 per barrel range.

Diversification and privatization of Kuwait's economy continue to be discussed as strategic goals of the government to counter abrupt fluctuations in world oil prices and to maximize employment opportunities for their citizens. To this end, the government has considered the privatization of the national airline, portions of the telecommunications sector and various aspects of the energy and water treatment sectors.

The United States is Kuwait's second largest trading partner, after Japan. Excellent quality, reliability and service help the United States maintain a strong position in this very competitive market, although the strong dollar continues to hurt our price competitiveness vis-à-vis third country suppliers. When compared to 1998, U.S. exports to Kuwait decreased 38.5 percent to US\$909 million in 1999.

American companies are engaged in more than 15 industrial and non-industrial joint ventures in Kuwait, accounting for more than US\$1 billion of direct investment. The largest venture is Union Carbide's petrochemical project EQUATE, a joint venture with Kuwait's Petrochemical Industries Company and a group of private investors. Kuwait imports a wide variety of U.S. military, industrial and consumer products. Leading military imports over the past five years include aircraft and parts, air defense systems, radar systems and tanks. Leading industrial imports include oil field equipment/parts, aircraft parts, medical equipment and generators. Significant consumer imports include passenger vehicles and trucks and processed food products.

Kuwait is a highly price-competitive market with low tariffs (generally only four percent ad-valorem), few import barriers and no exchange controls. Procurement for large public sector projects continues to dominate the business scene, as Kuwait accounts for little or no manufacturing and non-oil exports.

High value U.S. food products with strong market potential in Kuwait include frozen chicken parts, processed fruits and vegetables, cheeses, frozen beef, snack foods, almonds, fresh apples and pears, breakfast cereals, fresh carrots and lettuce, packaged rice and miscellaneous food products, particularly hot sauces, salad dressings, catsup, mayonnaise, vinegar, iodized salt, ice cream, frozen dough mixes, Tex-Mex foods and coffee whiteners. Also, growth in the local food processing industry is driving up demand for semi processed products such as vegetable oils, including corn, soybean and sunflower-seed oils, beverage bases, dried pulses and a variety of food ingredients, particularly for the snack food and bakery industries. Finally, demand for U.S. forestry products, particularly hardwoods, is on the increase, fueled by a robust housing construction market.

Kuwait's vast oil wealth (10 percent of world oil reserves, 96 billion barrels) and substantial government investments abroad (estimated at US\$60-90 billion, possibly more) have created an affluent population. In 1999 its approximately 2.3 million people (only 800,000 are Kuwait citizens) had a per capita GDP of US\$13,176. As Kuwait's young population (48 percent less than 15 years of age, 70 percent under 24) matures, U.S. exporters will find a broad range of marketing opportunities. Also, recent passage of an improved Copyright Protection Law should generate additional opportunities for U.S. suppliers of computer software, audio-visual entertainment products and books.

Country Commercial Guides are available to U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact STAT-USA for more information. Country Commercial Guides can also be accessed via the World Wide Web at <http://www.stat-usa.gov> or <http://www.state.gov> and <http://www.mac.doc.gov>. Paper or diskette copies are also available from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1800-USA-TRADE or by fax at (202) 482-4473.

II. ECONOMIC TRENDS AND OUTLOOK

MAJOR TRENDS AND OUTLOOK

Oil Sector:

The Kuwaiti economy is driven by oil production and related industries. The oil sector has essentially recovered to pre-war levels. Kuwait's crude oil production in May 2000 was about

2.07 million barrels per day, and production capacity is estimated to be 2.5 million b/d. The country's refining capacity is currently about 916,000 b/d, almost 100,000 b/d above its pre-Iraqi invasion capacity. (NOTE: a recent explosion at one of Kuwait's three refineries has reduced this capacity by 50 percent. Reconstruction of the damaged refinery will cost at least US\$300 million and take one year or longer to complete). While crude oil production is currently limited to 2.04 million b/d (based on the June 2000 OPEC quota), Kuwait nonetheless continues planning on expanding production capacity to three million b/d by 2005. Also, future plans call for both expanding domestic refining capacity to one million b/d and, at the same time, enhancing the value added by increasing Kuwait's ability to produce higher valued refined products.

Non-oil Sector:

Kuwait's non-oil economy grew by 6.8 percent in 1999, after dismal growth of 2.9 percent in 1998. The non-oil sector is expected to grow more robustly in 2000 as government spending on infrastructure projects increases. This is almost entirely due to windfall oil revenue and the trickle-down effect of higher oil prices, which usually take 18 months to impact the local economy.

Consumer demand is not expected to rebound to pre-invasion levels because of lower consumer spending by the expatriate population, which accounts for more than 60% of the total population.

While the demographics of the expatriate population have changed since Liberation [many Palestinians who lived in Kuwait with their families before the invasion have been replaced by workers, often single, from Egypt, South Asia, and the Philippines who tend to remit their earnings home], Kuwaiti government policies encouraging the "Kuwaitization" of the private sector (as evidenced in the passage of the National Employment Law in April 2000), more expensive residence fees, the recent imposition of a health insurance program for expatriates, rising living costs, and stagnant salaries have led to a marked increase in the number of expatriates choosing to leave Kuwait permanently.

The "Difficult Debts" situation continues to plague the non-oil sector and remains at the core of political debate. The "Difficult Debts Law" offers significant debt relief and a mechanism to allow large Kuwaiti investors to recover from losses incurred during the Iraqi invasion and from the crisis of the Souk Al-Manakh (an informal stock market which collapsed in the early 1980's).

However, influential individuals with significant bad debts have refused to participate in the debt-repayment installment program and continue to exert strong pressure on lawmakers to write off their sizeable debts. Such a write-off would raise significant moral issues and undercut already weak public support for economic reforms.

PRINCIPAL GROWTH SECTORS

Non-Oil Sector:

It is not clear whether growth can continue in the long-term without progress by the government in implementing economic reform measures, including privatization. Higher oil prices and buoyant international financial markets have reduced budget deficits, but domestic pressures to increase government spending pose long-term structural challenges. Privatization could promote long-term growth in telecommunications, housing, power generation and health care if government plans are implemented, but implementing legislation has been stalled since 1992 by fears of increased unemployment among Kuwaiti workers and resistance to higher costs that will result if currently heavily subsidized public utilities are privatized. If implemented, privatization programs could offer significant opportunities in the following sectors:

- Telecommunications: Investors are still awaiting a long-promised privatization of Kuwait's government-owned telecommunications sector. The change, which could bring in Western companies as partners, may result in a restructuring of the country's telecommunications systems.

- Housing: Kuwait provides a generous housing subsidy for Kuwaiti citizens. Although the subsidy tends to distort demand in the housing sector, it will likely be continued, creating, along with Kuwait's high population growth rate, a continuing high demand for residential housing. Kuwait's Minister of Planning stated that the government hopes to sustain a 3.3 percent annual increase among Kuwait citizens. There may be movement towards large-scale projects, rather than individual units.

- Power Generation: The country's power generation sector remains a possible growth area given the rising demand for power in Kuwait. Consumption of electricity increased by 9 percent between 1998 and 1999.

- Health Care: Kuwait is moving to privatize its health care services. This includes the establishment of private hospitals and possible private management of government-owned hospitals. In addition to the opportunities for management and construction of facilities, the Kuwaiti government has established a mandatory health insurance scheme for expatriate employees and may extend this program to Kuwaiti citizens. These developments may offer opportunities for health insurance and/or health maintenance organizations and provide funding for additional projects such as Afiya Net, a program to automate patient record keeping.

- Food Products: The local food processing industry will continue to expand, offering export opportunities for semi-processed agricultural products. Major growth sectors include vegetable oils, beverage bases, breakfast cereals, poultry parts, frozen vegetables and snack foods.

Oil Sector:

Kuwait's government-owned oil sector is expected to continue its long-term expansion. One of the more exciting areas for potential growth is the emergence of a petrochemical industry in Kuwait exemplified by the US\$2 billion Equate petrochemical complex in the Shuaiba Industrial Area. Equate is a joint venture between Dow Chemical/Union Carbide Corporation, the

government-owned Petrochemicals Industries Company and a group of private investors. The availability of intermediate petrochemical products such as ethylene, polyethylene and ethylene glycol is expected to open opportunities for a range of chemical and plastics manufacturing industries in Kuwait. Additional investments of over US\$3 billion for a new aromatics complex and an Equate II are under consideration.

Foreign participation in the upstream oil sector remains on hold pending final approval by the Supreme Petroleum Council of the opening up of the Northern Oil Fields to international oil companies and the National Assembly's approval of enabling legislation. Final approvals by both of these bodies may be given before the end of 2000 but further delays are possible.

GOVERNMENT ROLE IN THE ECONOMY

Kuwait's government plays a dominant role in the local economy but is slowly trying to reduce that role as it liquidates its equity holdings in private Kuwaiti firms and privatized parastatal entities. These include interests in many of the major private companies in Kuwait and most of the banks. In some cases, the government bought these shares to ameliorate the Souk Al-Manakh stock market collapse in 1982. In other cases, government ownership was used to provide capital for local industries. The divestiture program, while currently frozen because of the Stock Exchange's poor performance since 1998, has been implemented through a combination of public auctions through the Kuwaiti Stock Exchange, negotiated sales to strategic investors, or a combination of both. This will continue to be a slow and gradual process because the government faces considerable resistance to its efforts to wean its citizenry away from a system modeled on a socialist welfare state. The system results in an overly regulated economy that restricts participation and competition in a number of sectors of the economy and strictly limits the roles of foreign capital and expatriate labor.

The National Assembly approved legislation in May 2000 opening the Kuwait Stock Exchange to direct participation by foreigners. Implementing regulations are expected to be in place by the end of the third quarter of 2000. The National Assembly is currently reviewing legislation to reduce barriers to foreign investment, including lower tax rates on foreign companies (from the current top rate of 55 to 30 percent) and initial ten-year tax holidays and the elimination of current restrictions against majority foreign ownership.

Finally, the Kuwaiti government is, by far, the largest employer of Kuwaiti citizens. Ninety-two percent work for the government or a government-owned company. Through efforts to "Kuwaitize" its work force, the Government of Kuwait, in effect, has guaranteed employment for all Kuwaiti nationals. While this has had a social benefit, at least superficially, it has resulted in over-staffed government ministries. It has also made it difficult for private companies to recruit and retain Kuwaitis for meaningful, but demanding, jobs at competitive wages. In April 2000, the National Assembly passed the National Employment Law which extends government-provided social and child allowances to citizens employed in the private sector, as currently given to public-sector Kuwaiti employees. The government hopes this new law will make

private sector employment more attractive to Kuwaitis, particularly new graduates.

In March 2000, the National Assembly changed the State of Kuwait's fiscal year start date from July 1 to April 1, effective with the 2001-2002 budget. Therefore, the 2000-2001 budget cycle will only be nine months long (starting July 1, 2000 and ending March 31, 2001).

Kuwaiti Government Budget Allocations:
(Billion US\$)

	<u>99/00*</u>	<u>99/00**</u>	<u>00/01***</u>	<u>Percent-Change****</u>
<u>Income</u>	7.29	5.47	7.54	37.9
Oil (1)	5.78	4.33	6.30	45.5
Non-oil (2)	1.30	1.14	1.24	9.0
<u>Expenditure</u>	13.94	10.46	11.75	12.3
Salaries	4.36	3.27	3.71	13.5
Goods and Services	1.13	0.85	1.24	46.4
Transport Equipment	.10	0.07	0.11	46.2
Construction	1.13	0.85	1.14	34.8
Misc./Transfers	7.22	5.41	5.54	2.3
<u>Fund for Future Generations (3)</u>	0.73	0.55	0.75	37.9

(*) Full 12-month GOK budget figures

(**) 9-month budget figures calculated by the Embassy at 75 percent of the 12-month budget - for comparison purposes only

(***) 9-month budget figures as proposed by the GOK (July 1, 2000 - March 31, 2001)

(****) Percent change as calculated using Embassy-calculated 9-month budget figures for 1999/2000 (**) and proposed GOK 9-month 2000/2001 budget (***)

(1) Oil revenue is based on an estimate of US\$13 per barrel, well below the current price of US\$23-28 for Kuwait crude on the international market.

(2) Non-oil revenue is derived from corporate tax revenue (imposed only on foreign companies), customs duties and various government fees.

(3) Each year, the government deposits 10 percent of government income into the Fund for

Future Generations.

BALANCE OF PAYMENTS SITUATION

Kuwait had a 1999 trade surplus of US\$5.58 billion and a current account surplus of US\$5.07 billion. Given sustained high world oil prices, both surpluses are expected to remain healthy through 2000.

INFRASTRUCTURE

Trade:

Kuwait is a small country and many of the challenges of distribution of goods and services found in other, larger countries do not exist in Kuwait. Kuwait has two modern ports, at Shuwaikh and at Shuaiba, which handle the vast majority of the country's imported goods. Both are equipped with facilities to manage most kinds of cargo, but Shuwaikh is the regular port of entry for most consumer goods entering the country by container ship. Shuaiba, located in Kuwait's refining and manufacturing complex, receives some of the country's industrial goods imports and is the export point for petrochemicals, sulfur and petroleum coke. Historically, Kuwait has been a major transshipment point for trade to Iraq. United Nations sanctions and the political situation in Iraq have eliminated this trade, reducing the overall volume and frequency of ship calls. In an effort to regain its former role as a regional transshipment point, the Kuwait government authorized establishment of a free trade zone in Shuwaikh port in late 1996, which was inaugurated in November 1999. Initial interest in the FTZ is strong and over 80 percent of available space has reportedly already been leased.

Transportation:

Kuwait's road system is well developed, with modern multi-lane expressways linking all areas of the country. There are no railways in the country. Kuwait International Airport is located south of the city and is easily accessed by expressway. It has a number of regular flights to destinations in the Middle East, Europe and Asia and can provide service to the world's largest aircraft.

Utilities:

Kuwait has several major electric power generating plants which, by incorporating desalinization operations, are also the source of the country's potable water supply. The country currently has adequate generating capacity from plants that are fired by natural gas or fuel oil. However, a surging population and subsidized prices have created a rapidly rising demand for electricity and water. The demand is particularly high during the summer months when temperatures routinely rise above 120 degrees Fahrenheit, driving high usage of air-conditioners. Planned expansion projects should be able to meet the demand for the foreseeable future.

Internet & E-commerce:

Kuwait currently has three licensed Internet Service Providers (ISP) and more than 10 sub-ISPs. Estimates of total Internet users in Kuwait range from 80,000 and up. Once subscriptions drop below the average current charge of US\$66 per month for unlimited use, the number of individual users is expected to jump to 300,000, according to industry sources. Internet access prices remain high for the time being as the Ministry of Communications retains control of both local telephone service and marine cable and satellite telecommunications in and out of Kuwait. The Ministry controls the bandwidth available to the two ISPs dependent on the marine cable. The third ISP, which will access the Internet exclusively via their earth station, will start operations during the third quarter of 2000 and may drive access prices down. Two of the three ISPs currently offer Service Level Agreements (SLA's) to their corporate customers.

A growing number of Kuwaiti businesses are expressing interest in electronic commerce and mobile commerce [via cellular telephone and the Wireless Application Protocol (WAP)] in terms of business-to-business and business-to-consumer applications. The publicly-traded National Bank of Kuwait already offers on-line banking and plans to launch a payment gateway service in July 2000 for e-commerce merchants who want to process their sales transactions within the region. Several virtual malls with multiple e-commerce merchants are expected to go on-line during the third quarter of 2000.

The government is in the process of drafting an electronic signature law and hopes to forward it to the National Assembly before the year's end. The draft law is based largely on the United Nations Commission on International Trade Law (UNCITRAL)'s Model Law on Electronic Commerce.

REGIONAL ECONOMIC INTEGRATION

In 1999, the top five countries in the region which imported Kuwaiti products were (in descending order) Saudi Arabia, the United Arab Emirates, Egypt, Jordan, and Oman. The top five regional exporters to Kuwait in 1999 were (in descending order) Saudi Arabia, the United Arab Emirates, Iran, Syria, and Egypt.

Kuwait is a member of the Gulf Cooperation Council (GCC). At its November 1999 meeting, the GCC Council announced that a GCC customs union would come into effect in March 2005 with tariff rates at 5.5 percent for exempted and basic commodities and 7.5 percent for other commodities.

The Kuwait Stock Exchange is leading an effort to establish a regional real-time electronic database to track the various stock exchanges in the region, including North Africa. The expected completion date of this project is the end of 2000.

III. POLITICAL ENVIRONMENT

Nature of Political Relationship with the United States:

The relationship between the U.S. and Kuwait remains strong. During the years since the liberation of Kuwait by U.S.-led coalition forces, a shift has occurred in the buying patterns of the Kuwaitis, particularly in the government and defense sectors. The perceived "goodwill advantage" that American companies enjoyed because of the leading role the U.S. played in liberating Kuwait has given way to the pressures of strong competition from market forces and accelerated marketing efforts of other coalition member countries (notably France and the UK).

American companies have been successful in winning a significant share of defense-related contracts, which are awarded largely on the basis of technical capabilities and price. U.S. technology is highly respected in the Kuwaiti market, and efforts are presently underway to develop technical standards for industrial and consumer goods that mirror those of the United States.

Major Political Issues Affecting Business Climate:

In terms of safety and security, U.S. firms should find nothing in Kuwait at the present time to interfere with normal business operations. U.S. firms should be aware however that Kuwait is considered a high threat country for terrorism. Kuwait has signed defense cooperation agreements with the United States, the UK, France, Russia and China.

The government of Kuwait continues to pursue the 'Kuwaitization' of the labor force. An increase in the number of Kuwaiti employees will increase the demand for training, consulting, and educational services, which non-Kuwaitis as well as Kuwaitis will provide in the near future. The long-term goal of such training will be to replace expatriates with Kuwaitis, particularly in managerial, financial, engineering, computer and other technical areas.

The Government of Kuwait encourages joint ventures between foreign and Kuwaiti organizations. As a sign of continued movement toward a more liberal economic system, Kuwait has adopted a new Stock Market Opening Law, allowing majority foreign ownership of Kuwaiti publicly listed shares of companies for the first time. The government plans to revise, and in some cases repeal, other regulations that have a negative impact on foreign investment in Kuwait, especially where the transfer of technology is involved.

Brief Synopsis of Political System, Schedule for Elections and Orientation of Major Political Parties:

Kuwait became an independent state in 1961. According to its 1962 constitution, Kuwait's head of state is the Amir, currently His Highness Shaykh Jaber Al-Ahmad Al-Jaber Al-Sabah.

Succession as Amir is constitutionally restricted to descendants of the late Amir Mubarak Al-Sabah. The Al-Sabah family has ruled Kuwait since 1756. Executive power is vested in the Amir, who exercises it through his appointed Prime Minister, traditionally the Crown Prince, and the Council of Ministers. The Amir formulates decree-laws, which are subject to the approval of the National Assembly when in session, and establishes public institutions. The National Assembly also has the power to initiate legislation. The Amir has twice (from 1976 to 1981, and from 1986 to 1992) suspended constitutional provisions by decree and ruled extra-constitutionally. In May 1999 he constitutionally dissolved Parliament, holding elections within the 60 day constitutionally mandated period. The Amir may ask for reconsideration of a bill passed by the National Assembly and sent to him for ratification, but such a bill automatically becomes law if it is subsequently passed by a two-thirds majority at the next sitting, or by a simple majority at a subsequent sitting. The Amir may declare martial law, but only with the approval of the National Assembly. Kuwait is divided administratively into six governorates: Ahmadi, Farwaniya, Hawalli, Jahra, Mubarak Al-Kabir and the Capital Kuwait City. Each is headed by a governor who has ministerial rank and who is appointed by the Amir on the recommendation of the Minister of Interior.

Legislative power is shared by the Amir and an elected National Assembly, which is subject to dissolution, by Amiri decree. The unicameral National Assembly is composed of fifty members (2 each from 25 constituencies), each of whom serves a four-year term, as well as all sitting ministers. The Constitution requires at least one elected National Assembly member to also be a member of the Cabinet. Elections by secret ballot are normally held every four years. The Assembly was constitutionally dissolved in 1999 for two months, followed by early elections in July. Since political parties are not permitted in Kuwait, candidates nominate themselves and must be adult male Kuwaiti citizens. National Assembly members are free to play an active role in Kuwait's political life, enacting legislation criticizing the government and requiring Cabinet Ministers to answer their questions. The National Assembly may pass a vote of no confidence in a minister, in which case the minister must resign. Such a vote is not permissible in the case of the Prime Minister, but the National Assembly may approach the Amir on the matter, and the Amir will then either dismiss the Prime Minister or dissolve the National Assembly. Parliamentary committees often scrutinize government actions, and The National Assembly has power over public budgets.

The judicial system includes courts of the first degree (criminal assize, magistrates', civil, domestic and commercial courts), a Misdemeanors Court of Appeal, a High Court of Appeal (for civil cases) and a Court of Cassation (in limited cases). Kuwait has a civil law system with Islamic law playing a significant role in personal matters. According to the Kuwait constitution, Islamic law is one, but not the only source, of Kuwaiti law.

Political Parties:

While political parties are banned, the government has taken no action against a number of informal political groups that act very much like parties. The following informal political

coalitions exist: Democratic Forum, a left-wing, Arab nationalist group; Islamic Constitutional Movement, a Sunni Muslim group affiliated with the Muslim Brotherhood; Islamic Popular Grouping, a "fundamentalist" Islamic group; and Islamic National Coalition, a dormant Shi'a Muslim group. The National Democratic Association is the newest of the groups, constituting itself in May 1997 as a moderate alternative to existing groups. Male political activity also finds its outlet in informal, family-based social gatherings known as diwanis. Professional groups, bar associations and scientific bodies operate and maintain international contacts without government interference.

Workers' Rights:

Kuwaiti citizen workers, 92 percent of who are government employees, have the right to join unions. Kuwaiti law, however, prevents the establishment of more than one union per functional area or more than one general confederation. Out of a total Kuwaiti and non-Kuwaiti labor force of 1,232,776 in June 1998, union membership accounted for only 50,000, mostly Kuwaitis (although foreign workers may also join unions as nonvoting members), organized into 14 unions. All but two of the unions, the Bank Workers' Union and the Kuwait Airways Workers' Union, are affiliated with the Kuwait Trade Union Federation (KTUF). The KTUF consists of nine civil service unions (35,000 members) and three oil sector unions (15,000 members), but the oil unions have equal representation (36 members) in the 72-member KTUF Assembly. Collective bargaining by the union with the public or private sector employer may be appealed to the Ministry of Social Affairs and Labor or ultimately to a labor arbitration board, including officials from the Ministry of Social Affairs and Labor, the Attorney General's Office and the High Court of Appeals. Kuwait government workers are legally entitled to a minimum wage, but workers in the private sector are not. All workers in Kuwait are entitled to medical care and compensation for work-related injury or illness, including illness resulting from exposure to hazardous substances. Public health care is currently provided free of charge to all citizens of Kuwait. However, the Ministry of Public Health now imposes health insurance fees on employers to cover expatriate laborers. The implementation of this program is still evolving. Workers in the private sector have the right to strike, limited by compulsory negotiation followed by arbitration if a settlement cannot be reached.

Kuwait's foreign or expatriate workers, most of whom work in the private sector, have the right to join unions, to receive a minimum wage if working in the public sector, to receive medical care and workmen's compensation in the event of a work-related injury or illness, and the right to strike if working in the private sector. Expatriates dominate the private sector in Kuwait, and postwar government efforts to reduce their numbers have failed. A new draft labor law, currently being reviewed by the National Assembly, will benefit all workers, but especially expatriates. Among measures being considered are a private sector minimum wage, limits to the workweek for laborers, protection for domestic servants and controls on visa trading (the practice of importing unskilled laborers and transferring their services by selling their residence permits to another sponsor).

IV. MARKETING U.S. PRODUCTS AND SERVICES

- Distribution and Sales Channels: There are numerous food importers who are also wholesalers and distributors. A handful of large local companies tend to dominate sales. Fresh produce importers also handle table egg imports and distribution. Consumer cooperative societies account for over 75 percent of food retail sales. In addition, there are two major private food retail companies. The larger of the two is also an importer of many consumer-ready products.
- Franchising: U.S. fast food franchises are highly sought after by local companies, as dining out continues to be the main source of entertainment. While, most of the major U.S. fast food franchises are well established in Kuwait, 1999-2000 has seen the successful launch of Applebee's and Johnny Carino's, showing the market is not yet fully saturated. A local sponsor is required.
- There is growing demand among processors/packers for bulk shipments of semi-processed food products for final processing and packing in Kuwait, particularly for vegetable oils, fruit juices, dry pulses, nuts and snack foods.
- Selling Factors/Techniques: U.S. suppliers should stress the high quality, U.S. origin, competitive price, and, if applicable, the new-to-market status of their products. Face-to-face contact with importers will significantly increase a company's prospects. Participation in regional food shows is key to locating local distributors.
- Pricing a Product: The average importer markup on food products is about 10-15 percent. Retail food prices are generally 25-30 percent above import prices.
- Agency Laws: local agency laws are not strictly enforced in the food sector and products are sometimes imported by other than the designated agents.

Use of Agents and Distributors: Finding a Partner:

Foreign companies wishing to operate in Kuwait without setting up a Kuwaiti registered legal entity may only do so through a Kuwaiti agent. The local agent must be duly appointed through an agency agreement registered with the Ministry of Commerce and Industry. To identify Kuwaiti agents of foreign companies, American firms may address their inquiries to: Controller of Commercial Agencies, Ministry of Commerce and Industry, P.O. Box 2944 Safat, 13030 Kuwait, Tel: (965) 243-9992, Fax: (965) 241-1089. No foreign company is allowed to participate directly in a Kuwaiti tender. Commercial Law No. 36 of 1964 (as amended by Commercial Law No. 68 of 1980) regulates commercial agency agreements.

Commercial agents, who undertake to promote a product/service for a principal, negotiate deals on the principal's behalf, conclude such deals and carry them out. All contracts with the Government of Kuwait valued at KD100,000 (US\$340,000) or more are subject to Kuwait Law

No. 25, which requires contractors/agents to report and disclose all payments they made/received and will make/receive associated with securing a contract. It should be noted that local agency laws are not strictly enforced in the case of foodstuffs, as large retail chains often import such products directly.

Agency agreements must be registered with the Ministry of Commerce and Industry within two months of attestation by the Embassy of Kuwait in Washington, D.C., its two consulates, and/or the U.S. State Department. Agency or sponsorship agreements between a Kuwaiti company and a foreign company must be translated into Arabic by an official government translator and then registered with the Department of Commercial Agencies, Ministry of Commerce and Industry. At a later stage, it may also be registered with the Kuwait Chamber of Commerce and Industry. Registration of an agency agreement usually takes less than two weeks from the time the documents are available in Arabic.

Agency agreements must include the following:

- 1) The geographic territory covered by the agency agreement;
- 2) The full range of products and services that the agent is representing;
- 3) The period of the agency agreement (recommend one year with renewal and escape clauses);
- 4) The agent's fee, which is usually fixed, but may also include a small percentage of any contracts awarded;
- 5) The choice of applicable laws and arbitration/mediation forum, in the event of a dispute. (Note that the application of foreign laws cannot contradict the public policy of Kuwait);
- 6) The nature of the agent's work and responsibilities of the parties. (Duties of the principal and the agent should be listed specifically in the contract); and
- 7) A termination clause. While there is no statutory minimum notice of termination, three months notice is customary.

An agent is obliged to act for the benefit of his principal and to follow the instructions of his principal; to maintain confidentiality on behalf of the principal; and to keep the principal apprised of market and legal conditions in Kuwait.

In the event an agency agreement is terminated by the principal, it will probably be necessary to compensate the agent for investments made and good faith efforts undertaken to promote, sell and service the principal's products and services. Agency termination, whether disputed or not, can be a costly matter in Kuwait.

Because of the highly price competitive nature of Kuwait's market, merchants usually view a commission agent as a third party or middleman that can be dispensed with. Thus, Kuwait merchants prefer to deal directly with foreign manufacturers or their sole exporting agents. By the same token, Kuwait firms normally refuse to be appointed as sub-agents.

Foreign consulting firms do not need local agents; however, they must register with the Consultants and Physical Planning Department at the Ministry of Planning to be considered for Kuwait government contracts. It is also recommended that they work in association with a local consulting office.

Franchising:

Kuwaitis are very receptive to franchising. High per capita income (just over US\$13,000), significant spending power, receptivity to novelties, tax-free earnings and an upwardly mobile population are indicators of the future growth of this market. Entertainment, automotive services, furniture, clothing, restaurants and commercial cleaning/maintenance are some of the sectors which offer significant opportunities in the Kuwait franchise market. American firms dominate fast food restaurants, the most common type of franchise in Kuwait. Committees are formed in Kuwait to help fund small companies interested in franchising. As an example, the Kuwait Small Projects Development Company was recently formed and tasked with developing private companies that will employ Kuwaitis. They have found franchises to be particularly successful private ventures and we expect the sector to continue growing over the next few years.

Direct Marketing:

Marketing in Kuwait is a competitive business. In addition to newspaper advertising, direct marketing through personal contacts is very effective. Direct marketing through the mail has also become popular and is expected to grow, as the postal service system grows and modernizes. The lack of an effective, reliable post office also hinders E-Commerce firms in Kuwait. Direct marketing by television is also widespread through satellite channels, and is an effective tool to reach conservative Kuwaiti and expatriate women in the privacy of their homes.

Though foreign firms are not allowed to have direct access to the Kuwaiti market except through local agents or distributors, direct marketing is possible through joint ventures with local firms.

Joint Ventures/Licensing:

Foreign investors are offered a number of incentives to participate in joint ventures with Kuwaiti firms, including limited liability, partial relief from Kuwaiti corporate taxes, and management control options. Two or more persons, who are then jointly liable for the debts of the enterprise, may form a joint venture. Because all government procurement must be conducted with Kuwait citizens or firms, joint ventures between foreign investors and Kuwaiti nationals are often the best vehicle to gain access to this market.

It is usual for the terms and conditions to be set forth in a joint venture contract. A joint venture in Kuwait is not considered a legal entity, and as such, official notice by publication in the Commercial Register is not required. It is common for several foreign contractors involved jointly in major projects to form a construction joint venture or consortium. Joint ventures offer U.S. firms a way to at least partially mitigate Kuwait offset program requirements that provide for investing 30 percent of the contract's value in GOK approved projects, as they are liable for performing only their proportional share.

Steps to Establishing an Office:

As indicated, foreign firms can have direct access to the Kuwaiti market only through a local agent/partner. A local company cannot have a legal personality and may not commence business until it is registered in the Commercial Register, through its publication of record the Official Gazette. The registration must include the company's memorandum, articles and a declaration by the founders. This declaration must include a statement that the company founders have issued and paid for the subscribed shares and that the paid amount has been deposited in the company's account at a local bank.

After the business license is issued, incorporating the company normally takes about six months. The cost of incorporation is about US\$10,000. Renting an office, furnishing it and recruiting staff are the next logical steps. Companies should budget a minimum of US\$25,000 (exclusive of rent) when opening a Kuwait office.

Selling Factors/Techniques:

The most important selling factors in Kuwait are price, quality, attractive packaging, and effective after-sale service. Offering customers installment purchase plans and discounts for large volume purchases are also common promotional practices.

Selling techniques vary and include offering trade discounts; special sales twice a year; free service for equipment purchased during a limited period; reduced prices or give-aways; warranties; and trade-ins; and organizing special promotional sale events. Starting in 1999, Kuwait has officially promoted a local shopping festival called Halla February. Special offers and promotional campaigns are most common during Halla, with hotels and entertainment attractions offering special rates to attract shoppers from outside Kuwait. It should be noted, however, that official government approval is required for any sale discounts.

When selling food products, key points to stress are competitive price, U.S. origin, high quality and new-to-market status, if applicable. Arabic labels are required. U.S. companies willing to print Arabic labels and provide promotional and marketing assistance will have a competitive edge. Face-to-face contact can significantly increase the chances of establishing successful business relationships.

Advertising and Trade Promotion:

Newspaper advertising in Kuwait is the most effective tool for communication with the public. In 1999, advertising expenditures in Kuwait reached approximately US\$154 million, with 43 percent of the media coverage in newspapers. Advertising is also available on several radio stations and three television channels (channel one, Arabic news and programs; channel two, English news and programs; and channel three, Arabic sports programs). Signs and panels run a close second to newspapers in popularity, accounting for sales of US\$46 million, or 30 percent of the market.

List of newspapers in Kuwait.

Arabic Newspapers:

- Al-Anba
P.O. Box 23915, Safat, Kuwait 13100. Tel. (965) 483-4772
- Al-Qabas
P.O.Box 21800, Safat, Kuwait 13078. Tel. (965) 481-2818
- Al-Rai Al-Aam
P.O.Box 761, Safat, Kuwait 13008. Tel.: (965) 483-7369
- Al-Seyasseh
P.O.Box 2270, Safat, Kuwait 13023. Tel.: (965) 481-6326
- Al-Watan
P.O.Box 1142, Safat, Kuwait 13012. Tel.: (965) 484-0451

English Newspapers:

- Arab Times
P.O.Box 2270, Safat, Kuwait 13023. Tel.: (965) 481-6326
- Kuwait Times
P.O.Box 1301, Safat, Kuwait 13014, Tel.: (965) 240-3727

There are a number of competent advertising agencies in Kuwait serving U.S. and local company needs. The following is a listing of Kuwait's major advertising agencies, with U.S. affiliates, if any, listed in parentheses:

- Alam Al-Tassameem

P.O. Box 42202 Shuwaikh Kuwait 70652 Tel.: (965) 483-2007

-Al-Hamra Center for Advertising and Publicity

P.O. Box 8031, Salmiya, Kuwait 22037 Tel.: (965) 574-0361

-Alpha Boushahri Advertising

P.O. Box 547, Safat, Kuwait 13006, Tel.: (965) 244-0734

-Arab Advertising Agency

P.O. Box 2221, Safat, Kuwait 13023, Tel.: (965) 243-5921

-Camp, Saadeh and Skaff (CSS & Grey-Grey Advertising Affiliate)

P.O. Box 24299, Safat, Kuwait 13103. Tel.: (965) 240-3570

-Clued Media Group (DDB Affiliate)

P.O. Box 24270, Safat, Kuwait 13103. Tel.: (965) 532-7962

-Duna Advertising

P.O. Box 29395, Safat, Kuwait 29395. Tel.: (965) 243-8920

-Horizon Advertising Network

P.O. Box 20199, Safat, Kuwait 13062. Tel.: (965) 240-3371

-Ideas Unlimited

P.O. Box 25731, Safat, Kuwait 13118. Tel.: (965) 245-0400

-Impact and Echo (BBDO Affiliate)

P.O. Box 21081, Safat, Kuwait 13071. Tel.: (965) 243-8120

-Intermarkets

P.O. Box 20604, Safat, Kuwait 13067. Tel.: (965) 242-3773

-International Technology General Trading & Contracting

P.O. Box 64333 Shuwaikh Kuwait 70454 Tel.: (965) 244-4000

-Kuwait Advertising Establishment

P.O. Box 5773, Salmiya, Kuwait 22068 Tel.: (965) 484-5998

-Matrix

P.O. Box 26010, Safat, Kuwait 13121. Tel.: (965) 266-5151

-MEMAC (Middle East Marketing and Communications)

P.O. Box 27216, Safat, Kuwait 13133. Tel.: (965) 245-4700

-Multimedia

P.O. Box 28718, Safat, Kuwait. Tel.: (965) 243-5135

-Pan Arab Advertising Company

P.O. Box 2449, Safat, Kuwait 13025. Tel: (965) 240-0701

-Publiographics

P.O. Box 1035, Safat, Kuwait 13011. Tel: (965) 241-8511

-Radius Leo Burnett (Leo Burnett Affiliate)

P.O. Box 4455, Safat, Kuwait 13045. Tel: (965) 240-4967

-Retouch Advertising and Promotion

P.O. Box 3201, Safat, Kuwait. Tel.: (965) 245-8062

-Al Siham Promoseven (McCann Erickson Affiliate)

P.O. Box 24084, Safat, Kuwait 13101. Tel: (965) 244-4571

-Tihama Al-Mona International (TMI-J. Walter Thompson Affiliate)

P.O. Box 15363, Daiya, Kuwait 35454. Tel: (965) 246-0234

-Warba Graphic

P.O. Box 26992, Safat, Kuwait 13130. Tel: (965) 241-1761

Pricing the Product:

The selling price of an American product in Kuwait includes the following elements in addition to the U.S. supplier's ex-factory price:

- U.S. inland transportation,
- U.S. export packing & documentation, freight, insurance,
- Kuwait customs duties (a flat 4 percent),
- Kuwait customs clearance and inland transportation (US\$175/container generally),
- Kuwait agent's commission (typically 5-15 percent),
- Kuwait agent's administrative overhead, provision for waste and damage,
- And, installation in Kuwait, if required.

A common rule of thumb in Kuwait when pricing U.S. consumer products is to substitute the Kuwaiti Dinar for the U.S. dollar, in effect multiplying the U.S. FOB port of export price by 3.34. In the case of pharmaceuticals, the Ministry of Public Health limits the overall mark-up from importer to consumer to 70 percent. Industrial items sourced from the U.S. by private

Kuwait firms to fill Kuwait government tenders must be priced to compete with products from China and Korea.

Sales Service/Customer Support:

U.S. firms intending to operate in Kuwait should ensure that their sales contracts contain a follow-up maintenance clause. This clause helps to ensure that the quality and the service of the product remain up to American standards.

Consumer warranties are normally given for goods such as electrical appliances, vehicles, watches, etc. Warranties range in length from 90 days to 4-5 years, depending on the product. U.S. firms should establish a factory service center for their products. Independent service centers also repair and maintain most consumer products, but may substitute cheaper repair parts for OEM.

After-sale service and customer support is especially crucial in the automotive and electrical home appliance sectors. Automobile dealers offer a one-year or 15,000-mile guarantee after the sale. They may also offer discounted service fees. Home appliance dealers offer guarantees or warranties against faults or failures. They either fix the fault at their expense or replace the appliance with a new one during the warranty period. Agents or dealers of home appliances maintain service fleets that make house calls.

Selling to the Government:

Tender Law No. 37 of 1964 regulates government tenders. The Central Tenders Committee (CTC) acts on behalf of most government departments, and is under the jurisdiction of the Council of Ministers. The Ministries of Housing, Defense, and Interior (including the security forces) can issue their own tenders independently of the CTC. All contracts with the government valued at KD100,000 (US\$340,000) or more are subject to Kuwait Law No. 25 of 1996 which requires contractors/agents to report all payments they made/received (will make/receive) associated with securing the contract.

The CTC handles tenders for goods and services valued at more than US\$16,500 (KD5,000) that are sought by government ministries as well as public companies in the oil sector. Tenders are usually awarded on the basis of the lowest price once technical compliance of the bids with the tender's specifications has been established.

Protecting Your Product from IPR Infringement:

Kuwait was placed on USTR's Priority Watch List in April 1998 and subsequently downgraded to Watch List status in 2000, largely based on their adoption of a Copyright Protection law in December of 1999. After initial encouraging anti-piracy efforts taken by the Kuwaiti authorities in 1995 and 1996, the anti-piracy campaign deteriorated in 1997. The Ministry of Information

has shown a recent willingness to enforce the new Copyright Protection Law, having seized illegal products and fined violators during several well-publicized raids on software and videocassette pirates in late 1999 and the first half of 2000. Vigorous enforcement and continued industry policing by private industry will be key factors in the effectiveness of the new law.

Patents:

Kuwait has yet to enact legislation to amend its 1962 Patent Law. This is required to bring Kuwait into compliance with its WTO obligations.

Copyrights:

Kuwait's new Copyright Protection Law provides protection for computer software and related programs, video and music tapes/cassettes/CDs, cinema, drawings, original books and translations, and scientific papers. Officially adopted in December of 1999, the new law stipulates rather light (by world standards) punishment for copyright piracy. Copyright violators are now liable for fines of KD500 (US\$1,650) and/or a jail term of up to six months. However, penalties double for second offenses.

Trademarks:

Kuwait has effective trademark legislation but, again penalties are light. Trademarks may be registered in Kuwait for ten years and renewed indefinitely for additional ten-year increments. If a trademark has not been used for a five-year period, an interested party can apply to the courts to have it canceled. Registration gives the owner the exclusive right to use the trademark on the goods for which it is registered, and third parties can be prevented from using the mark on competing products. Registration takes about three weeks and requires a US\$60 fee. Trademark registration is linked to the Kuwait agent; when a new agent is selected, the trademark continues in force under the old agent's name until the new agent registers the trademark.

Need for a Local Attorney:

Disputes arising out of business transactions fall in two broad categories. The first category concerns payment collection issues. This includes cases of American firms sending goods/commodities to a local firm that refuses to pay the full amount, claiming the goods do not comply with the terms and conditions of the letter of credit (L/C). This category also includes cases where American firms carry out projects in Kuwait and then have problems getting paid for their services.

The second category of disputes consists of those arising from the termination of agency agreements. To help resolve disputes, the Commercial Section at the U.S. Embassy-Kuwait may intervene, and advocate on behalf of American firms. If the local firm persists in its refusal to settle the dispute, the American firm may have to resort to the local courts to obtain satisfaction.

To gain access to Kuwait's judicial system, U.S. firms must hire a local attorney. The following is a partial list of qualified attorneys based in Kuwait. The list is arranged alphabetically and the order has no other significance.

Abdulla S. Al-Rkayan & Associates
P.O. Box 5277, Safat
13053 Kuwait
TEL: (965) 242-1281
FAX: (965) 242-0582
CONTACT: Ms. Houria B. Coffman
TITLE: Attorney

Abdul Razzak & Al-Saaed Partners Law Firm
P.O. Box 22880 Safat
13089 Kuwait
TEL: (965) 245-5717
FAX: (965) 246-9357
CONTACT: Mr. Asaad Badran
TITLE: Managing Director
International Legal Department

Ahmad G.H. Al-Otaibi & Partners
P.O. Box 5750 Safat
13058 Kuwait
TEL: (965) 242-5163
FAX: (965) 240-1251
CONTACT: Mr. Ernest Alexander
TITLE: Attorney

Ali & Partners
P.O. Box 5706 Safat
13058 Kuwait
Tel: (965) 244-7415/6
Fax: (965) 246-6780
Contact: Rima Ali
Title: Attorney

U.S. Office - Ali & Partners
700 13th Street, N.W., Suite 230
Washington, D.C., 20005
Tel: (202) 347-2400
Fax: (202) 347-2229

Anwar Al-Bisher Law Firm
P.O. Box 26292, Safat
13123 Kuwait
TEL: (965) 243-1122
FAX: (965) 240-2501
CONTACT: Ms. Mary Ann Sharp
TITLE: Attorney at Law

Al-Waqyan - Al-Awadhi - Al-Saif Law Firm
In Association with Dixon & Dixon
P.O. Box 22833, Safat
13089 Kuwait
TEL: (965) 241-5617
FAX: (965) 240-7030
CONTACT: Mr. Najeeb Al-Waqyan
TITLE: Attorney

Al-Ghazali Partners and Graham & James
P.O. Box 4970, Safat
13050 Kuwait
TEL: (965) 243-9690
FAX: (965) 242-2895
CONTACT: Mr. Jonathan Edward
TITLE: Attorney

Mashora Advocate and Legal Consultants
In Association with Bryan Cave, LLP
P.O. Box 5902 Safat
TITLE: Attorney

Salman Duaij Al-Sabah Law Office
P.O. Box 5117, Safat
13052 Kuwait
TEL: (965) 240-0261
FAX: (965) 240-0260
CONTACT: Shaikh Salman Duaij Al-Sabah
TITLE: Attorney

Al-Sarraf & Al-Ruwayeh & Stephenson Harwoud Law Firm
P.O. Box 1448 Safat
13015 Kuwait
TEL: (965) 240-0061
FAX: (965) 240-0064

CONTACT: Mr. Issam "Sam" Essa Habbas
 TITLE: Attorney

Yousef Essa Al-Matar & Edmond Chartouni
 P.O. Box 23198, Safat
 13092 Kuwait
 TEL: (965) 241-2283
 FAX: (965) 242-7420
 CONTACT: Mr. Yousef Essa Al-Matar
 TITLE: Attorney

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT (US\$ millions, unless otherwise noted; all estimates are unofficial)

Best Prospects for Non-Agricultural Goods and Services
 (Estimated U.S. Market Share)

		(US\$ Million)			Percent-Grow (Est.)
ITA	Best Prospect Sector	1998 (Actual)	1999 (Actual)	2000 (Est.)	
HMS	Hospital Management Services	1.7	1.8	2.0	20.0
INS	Medical Insurance Services	16.0	18.0	19.0	20.0
SEC	Safety & Security Equipment	50.0	53.0	56.0	8.0
XXX	Rubber Tires for Cars	14.3	16.1	17.5	4.0
ACR	Air Conditioning & Refrigeration Equipment	60.0	63.0	66.0	8.0
CPT	Computer & Peripherals	8.6	9.1	9.6	11.0
APS	Automotive Parts & Service Equipment	53.3	55.0	57.0	5.0
MED	Medical Equipment	19.8	21.7	24.0	8.0
DRG	Pharmaceuticals	19.0	20.0	21.0	18.0
ADV	Advertising	44.3	46.1	47.6	8.0
OGM	Oil & Gas Pipes	45.0	49.0	53.0	5.0
FUR	Home Furniture	41.0	43.9	45.0	5.0

Best Prospects for Agricultural Goods and Services:

Estimated U.S. Market Share
 (Thousand Metric Tons)

1998 1999 2000 (Est.)

FOD Corn Oil	11.0	13.0	14.0
FOD Poultry Meat	5.0	5.0	6.0
FOD Frozen/Chilled Beef	0.8	1.0	1.2

Best Prospects for Non-Agricultural Goods and Services:
(Statistics are unofficial estimates).

Hospital Management Services (HMS)

The Ministry of Health has already applied compulsory health insurance on about one million expatriates in Kuwait early in April 2000. This will generate about KD50 million per annum (US\$165 million) in additional revenue for the health system. This new source of revenue should help the private sector build new hospitals and medical centers to serve this new customer base. Good service will be a prime factor in attracting these customers. American hospital management firms are encouraged to take advantage these opportunities in Kuwait. The private medical sector will expand considerably in the next few years.

US\$ Millions	1998 (Actual)	1999 (Actual)	2000 (Est.)
A. Total Sales	3.9	4.3	7.0
B. Sales by Local Firms	2.2	2.5	4.0
C. Exports by Local Firms	0.0	0.0	0.0
D. Sales by Foreign-Owned Firms	1.7	1.8	3.0
E. Sales by U.S.-Owned Firms	1.7	1.8	2.0

The above statistics are unofficial estimates.

Medical Insurance Services (INS)

Applying the compulsory health insurance one about one million expatriates in Kuwait will result in additional revenue for the health system of about KD50 million per annum (US\$165 million). Local insurance providers will require significant support and expertise from foreign companies and American insurance companies are strongly encouraged to explore opportunities in this new market.

US\$ Millions	1998 (Actual)	1999 (Actual)	2000 (Est.)
A. Total Sales	130	145	159
B. Sales by Local Firms	108	120	132
C. Exports by Local Firms	00	00	00

D. Sales by Foreign-Owned Firms	22	25	27
E. Sales by U.S.-Owned Firms	16	18	19

The above statistics are unofficial estimates.

* Assuming that each expatriate pays US\$165 per year.

Safety and Security Equipment (SEC)

The Government of Kuwait is extremely concerned with safety and security. A ministerial committee was established recently to develop plans to secure sensitive and strategic facilities such as borders, refineries, power and petrochemical plants. There are many good opportunities for U.S. safety and security equipment manufacturers and consultants in Kuwait.

US\$ Millions	1999 (Actual)	2000 (Actual)	2001 (Est.)
A. Total Market Size	115	120	126
B. Total Local Production	0	0	0
C. Total Exports	0	0	0
D. Total Imports	115	20	126
E. Total Imports from U.S.	50	53	56

Rubber Tires for Cars (APS)

There are about 1,077,400 vehicles in Kuwait of various types and models. Major imports come from Japan, U.S.A., and South Korea. Bad driving habits, tough weather conditions, and poor maintenance make tires deteriorate at a fast pace. The total value of imported tires in 1998 was KD20.8 million

(US\$68.6 million). Japan was the market leader, followed by the U.S.A. and then South Korea. A slight increase of 5 percent in tire imports is predicted for 2000.

US\$ Millions	1998 (Actual)	1999 (Actual)	2000 (Est.)
A. Total Market Size	60.1	62.5	65.6
B. Total Local Production	00.0	00.0	00.0
C. Total Exports	8.5	9.5	10.0
D. Total Imports	68.6	72.0	75.6
E. Imports from the U.S.	14.3	16.1	17.5

Air Conditioning and Refrigeration Equipment (ACR)

High temperature during most of the year, intense seasonal humidity, and frequent dust storms make Kuwait an excellent market for air conditioning and refrigeration equipment.

US\$ Millions	1998 (Actual)	1999 (Actual)	2000 (Est.)
A. Total Market Size	155.0	162.2	169.4
B. Total Local Production	5.0	5.2	5.4
C. Total Exports	0.0	0.0	0.0
D. Total Imports	150.0	157.0	164.0
E. Total Imports from U.S.	60.0	63.0	66.0

Computers and Peripherals (CPT)

Most major American computer firms are present in Kuwait, enjoying a large market share of the total imports of mainframes, minicomputers, microcomputers and data communications equipment. There are several major upcoming projects that should create an excellent market in Kuwait for U.S. computer equipment.

US\$ Millions	1998 (Actual)	1999 (Actual)	2000 (Est.)
A. Total Market Size	44.2	46.8	49.6
B. Total Local Production	0.0	0.0	0.0
C. Total Exports	0.0	0.0	0.0
D. Total Imports	44.2	46.8	49.6
E. Total Imports from U.S.	8.6	9.1	9.6

Automotive Parts & Services (APS)

There are more than one million automobiles in Kuwait, excluding the military. About 50,000 new cars of various types are imported to Kuwait annually. Most of Kuwait's cars are more than four years old. The tough weather conditions, poor after-sale service, high accident rates, and bad driving habits create a large demand for automobile parts and service equipment. Major U.S. car manufacturers like GM, Ford & Chrysler supply their local dealers with the necessary service equipment and spare parts. Competitors include Japan, Sweden, Germany, and South Korea.

US\$ Millions	1998 (Actual)	1999 (Est.)	2000 (Est.)
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A. Total Market Size	187.7	196.0	205.0
B. Total Local Production	0.0	0.0	0.0
C. Total Exports	17.3	19.0	20.0
D. Total Imports	205.0	215.0	225.0
E. Imports from the U.S	53.3	55.0	57.0

Medical Equipment (MED)

Kuwait is very concerned about the state health care services. The Ministry of Public Health will continue to replace, upgrade, and modernize the existing medical facilities. The Ministry of Public Health has issued 14 licenses for Kuwaitis to establish new private hospitals in the country, in addition to several health care centers throughout the country. The current five-year plan includes the construction of a new 500-bed hospital, a new Farwaniya Hospital and the Amiri Dental Center that includes 120 clinics.

US\$ Millions	1998 (Actual)	1999 (Actual)	2000 (Est.)
A. Total Market Size	66.0	72.6	79.8
B. Total Local Production	0.0	0.0	0.0
C. Total Exports	0.0	0.0	0.0
D. Total Imports	66.0	72.6	79.8
E. Total Imports from U.S.	19.8	21.7	24.0

Pharmaceuticals (DRG)

Kuwait imports all of its pharmaceutical needs. Though U.S. drugs and pharmaceutical products have a very good reputation in Kuwait, they represent a relatively small part of the market.

US\$ Millions	1998 (Actual)	1999 (Actual)	2000 (Est.)
A. Total Market Size	120	127	133
B. Total Local Production	0	0	0
C. Total Exports	0	0	0
D. Total Imports	120	127	133
E. Total Imports from U.S.	19	20	21

Advertising (ADV)

Kuwait is the third largest market for television and newspaper advertisement in the Persian Gulf region after Saudi Arabia and UAE. Due to the significance of advertising, Kuwait International Fair Company will organize Kuwait Media 2000 Show in October 2000. The show aims at reflecting developments in advertising, information, and marketing.

In 1998, advertising expenditures in Kuwait grossed US\$194.3 million distributed as follows: newspaper advertising US\$84.9 million, panels US\$56.2 million, magazines US\$35.1 million, TV advertising \$15.2 million, radio US\$2.8 million, and video US\$0.16 million. Advertising continues to prosper in Kuwait, offering opportunities for new advertising innovations and technologies.

US\$ Millions	1998 (Actual)	1999 (Actual)	2000 (Est.)
A. Total Sales	150.0	154.1	159.0
B. Sales by Local Firms	105.0	107.0	110.0
C. Sales by Foreign-Owned Firms	45.0	47.0	49.0
D. Sales by US-Owned Firms	44.3	46.1	47.6

Oil & Gas Pipes (OGM)

Kuwait is a major oil producer, with current production averaging 1.9 million barrels/day, although production capacity is about 2.5 million barrels/day. Plans are in the works to boost production to 3.0 million barrels/day by 2005 and drilling new oil wells is a continuous process. In addition, Kuwait plans to allow international oil companies to participate in developing oilfields the northern and western areas of Kuwait, a project that will further increase demand for pipes and drilling bits. Building new gathering centers will also increase demand for oil pipes to carry oil from new wells to remote locations.

US\$ Millions	1998 (Actual)	1999 (Actual)	2000 (Est.)
A. Total Market Size	105.0	110.3	115.7
B. Total Local Production	30.0	30.0	30.0
C. Total Exports	00.0	00.0	00.0
D. Total Imports	75.0	80.3	85.7
E. Imports from USA	45.0	49.0	53.0

Home Furniture (FUR)

Despite the semi-stagnant economy and the relatively slow consumer spending, commercial and residential construction in Kuwait remains active, with demand for home furniture increasing by

about 5% per year. The United States share of home furniture in the local market is still low, yet there is increased interest in importing from the United States as evidenced by the success of some local furniture companies selling U.S. furniture. Another good indicator is the increasing number of Kuwaiti merchants who visit the Highpoint, North Carolina Home Furnishings Show.

US\$ Millions	1998 (Actual)	1999 (Actual)	2000 (Est.)
A. Total Market Size	138.0	144.9	152.4
B. Total Local Production	35.0	37.0	40.0
C. Total Exports	12.0	13.0	13.0
D. Total Imports	115.0	120.0	125.4
E. Imports from the U.S.	41.0	43.9	45.0

Best Prospects for Agricultural Goods and Services:

1. Corn Oil (FOD)

Corn oil is the preferred cooking oil in Kuwait and the other Gulf countries. As of 1992, a local firm (KFMBC), started to pack corn oil imported in bulk from the United States. Consumption of corn oil, and consequently imports from the United States, is expected to increase steadily as the locally packed oil is offered at competitive prices. Saudi Arabia, Singapore, the United Arab Emirates and Bahrain are other principal suppliers of corn oil to the Kuwaiti market.

(Thousand Metric Tons)	1998 (Actual)	1999 (Actual)	2000 (Est.)
A. Total Market Size	20	21	22
B. Total Local Production	0	0	0
C. Total Exports	2	2	2
D. Total Imports	22	23	24
E. Total Imports from U.S.	11	13	14

Source: ATO-Dubai estimates

2. Poultry Meat (FOD)

U.S. frozen poultry meat, particularly chicken parts and to a lesser degree whole chickens and turkeys, are well known for their high quality. Also, more brands of U.S. chicken parts are being offered in Kuwait at competitive prices than in previous years. Brazil, France, Saudi Arabia and Denmark dominate the market for frozen whole chickens. The United States and Brazil dominate the market for chicken parts. Whole chickens represent 90 percent of total imports of

chicken meat. The preferred size for whole chickens ranges from 900-1,200 grams per bird. Chicken parts are imported in two-pound trays.

(Thousand Metric Tons)	1998 (Actual)	1999 (Actual)	2000 (Est.)
A. Total Market Size	81	84	85
B. Total Local Production	26	27	27
C. Total Exports	1	1	1
D. Total Imports	56	58	59
E. Total Imports from U.S.	5	5	6

Source: ATO-Dubai estimates

3. Frozen/Chilled Beef (FOD)

U.S. beef, particularly frozen beef and to a lesser degree chilled beef, are well known for their high quality and sought after by the higher-end hotels and restaurants. The rapid expansion of the American fast food and quick service restaurants in Kuwait prompted a marked increase in U.S. beef exports. India and Ireland dominate the frozen beef market, while France and the Netherlands are major suppliers of chilled beef.

(Thousand Metric Tons)	1998 (Actual)	1999 (Actual)	2000 (Est.)
A. Total Market Size	12	13	14
B. Total Local Production	*	*	*
C. Total Exports	0	0	0
D. Total Imports	12.0	13	14
E. Total Imports from U.S.	0.8	1.0	1.2

*Negligible

Source: ATO-Dubai estimates

VI. TRADE REGULATIONS AND STANDARDS

Trade Barriers, including Tariffs, Non-tariff Barriers or Import Taxes:

Potentially High Tariffs:

There are no customs duties on food, agricultural items or essential consumer goods in Kuwait. Imports of some machinery, most spare parts and all raw materials are also exempt from customs duties. Kuwait's national oil company and its sub-units also import equipment free of tariffs.

The General Administration of Customs collects a 4 percent general tariff on most imports. This flat rate is applied to the cost, insurance, and freight (c.i.f.) value of imported goods. Where imports compete with goods that are locally manufactured by "infant industries," the Ministry of Commerce and Industry may impose protective tariffs of up to 25 percent. In such cases, tariff reviews and determinations are conducted on a case-by-case basis. Effective July 1, 1997, the Council of Ministers approved the imposition of a 70 percent customs duty on cigarettes and tobacco products in lieu of the previously rate of 100 percent. The Kuwaiti government may also raise tariffs in order to increase revenue and "harmonize upward" with tariffs in other GCC states.

Incompatible Standards:

Kuwait, like other GCC member states, maintains restrictive standards that impede the marketing of some U.S. exports. For example, shelf life requirements throughout the GCC for processed foods are in many cases far shorter than scientifically necessary to preserve freshness. Such artificially short shelf life requirements hurt the competitiveness of U.S. products since local merchants prefer products from suppliers closer to Kuwait, as these products can be left on the shelves for a longer period of time. Standards for many electrical products are based on those of the U.K., even though in many cases U.S. products could perform better and at a lower cost if the technical standards were more flexible. Decisions on standards for medical, telecommunications and computer equipment tend to lag so long that Kuwait government tenders often specify the purchase of obsolete items.

Government Procurement & Offset Policies:

Kuwait government procurement policies specify local products when available and prescribe a 10 percent price advantage for local firms in government tenders.

The Kuwait government views its offset program as a major vehicle for attracting foreign investment to Kuwait. The U.S. government generally opposes the attachment of any type of performance requirement to government tenders and has recommended that the Government of Kuwait carefully weigh all the potential costs to itself of an offset program. At the same time U.S. firms are encouraged to familiarize themselves with the terms of Kuwait's Offset Program to ensure that it does not become an undue burden.

Under the program, all government contracts in excess of KD1.0 million (approximately US\$3.4 million) are now to include clauses acknowledging offset obligations. Moreover, the cumulative supply of more than KD1 million in goods and services under a series of contracts during a period of one year by any one company will also result in offset obligations, which will be levied against the full, cumulative value of the contracts.

Offset obligations will continue to be set at 30 percent of the value of the contract. The dollar

value, however, of this obligation can be reduced if it is settled in a manner which is in accord with the Kuwaiti government's priorities. The mechanism for reduction of offset obligations is a system of multipliers, which gives suppliers additional offset credits depending on how and in what economic areas their investments are made. For instance, so-called "micro" multipliers give suppliers additional credit for a variety of financial measures including original equity, debt, retained earnings of ventures, sales, R&D investments, education and training costs, and pre-establishment costs including feasibility studies, business plans, market research, etc. In addition, "macro" multipliers, depending on the economic sector in which the investment is made, can further increase the value of these credits. Priority sectors include education, management and training; manufacturing; assembly for processing; and services. Detailed questions on the offset program should be referred to the Commercial Service office at the American Embassy in Kuwait, and the Ministry of Finance, Counter Trade & Offset Program Executive Office.

Improved Intellectual Property Rights Protection:

Kuwait was placed on USTR's Priority Watch List in April 1998 and subsequently downgraded to Watch List status, largely based on their adoption of a Copyright Protection law in December of 1999. After initial encouraging anti-piracy efforts taken by the Kuwaiti authorities in 1995 and 1996, the anti-piracy campaign deteriorated in 1997. The Ministry of Information has shown a recent willingness to enforce the new Copyright Protection Law, having seized illegal products and fined violators during several well-publicized raids on software and videocassette pirates in late 1999 and the first half of 2000. Vigorous enforcement and continued industry policing by private industry will continue to be key factors in determining the effectiveness of the new law.

Patents:

Kuwait has yet to enact legislation to amend its existing 1962 Patent Law. This is required to bring Kuwait into compliance with its WTO obligations. This situation is particularly damaging to U.S. pharmaceutical producers.

Copyrights:

Kuwait's new Copyright Protection Law provides protection for computer software and related programs, video and music tapes/cassettes/CDs, cinema, drawings, original books and translations, and scientific papers. Officially adopted in December 1999, the new law stipulates rather light (by world standards) punishment for copyright piracy. Copyright violators are now liable for fines of KD500 (US\$1,650) and/or a jail term of up to six months, although penalties double for second offenses.

Trademarks:

Kuwait has effective trademark legislation but, again penalties are light. Trademarks may be

registered in Kuwait for ten years and renewed indefinitely for another ten-year period. If a trademark has not been used for a five-year period, an interested party can apply to the courts to have it canceled. Registration gives the owner the exclusive right to use the mark on the goods for which it is registered, and third parties can be prevented from using the mark on competing products. Registration procedures take about three weeks and require a US\$60 fee. Trademark registration is linked to the Kuwait agent; when a new agent is selected, the trademark continues in force under the old agent's name until the new agent registers the trademark.

BOYCOTT OF ISRAEL:

In June 1993, Kuwait announced that it would no longer apply the secondary boycott to firms that do business with Israel and the tertiary boycott to firms that do business with firms subject to the secondary boycott. However Kuwait continues to apply the primary boycott to goods and services produced in Israel itself. Kuwait has also taken steps to revise its commercial documentation to eliminate all direct references to the boycott of Israel. U.S. firms may still occasionally receive requests for boycott-related information from private Kuwait firms or uninformed Kuwaiti public officials. In such cases, U.S. firms should advise the Embassy of the request, report the request to the U.S. Department of Commerce and take care to comply with all requirements of the U.S. anti-boycott laws. Kuwait has received several one-year waivers of "Brown Amendment" requirements through 1998. The "Brown Amendment" prohibits defense sales to those countries that have not eliminated all vestiges of the enforcement of the secondary and tertiary boycott of Israel.

Customs Valuation:

For perishable imports arriving via air, land, or sea, customs clearance is prompt and takes about three hours. To complete clearance, the importer presents its import license and quality test certificate. Recurring perishable imports can be cleared and taken to the importer's premises after evidence that a sample has been submitted to the Municipality for quality testing.

Customs' assessment of duty on the imported goods is usually based on the commercial invoice. However, if the customs officials believe the declared value is not realistic, they may make their own assessment.

American exporters of perishable goods are advised to appoint their own quality surveyors in Kuwait to protect their rights. Local importers have their own connections with the local officials and may obtain certificates in their favor, e.g., stating that competitors' imports are wasted, damaged, or not fit for human consumption.

Import Licenses:

Importers do not need an import license for each product to be imported or for each shipment.

An importer does, however, need to obtain an annual import license from the Ministry of Commerce and Industry that authorizes the import, on a multiple-entry basis, of any amount of goods from any country during its one-year term. To obtain this license, an importing company must fulfill the following conditions:

- It must be registered in the Commercial Register at the Ministry of Commerce and Industry and with the Kuwait Chamber of Commerce and Industry (KCCI).
- A special import license is required to import certain kinds of goods, i.e., firearms, explosives, drugs and wild animals. Imports of firearms and explosives require a special import license from the Ministry of Interior. Some drugs require a special import license from the Ministry of Public Health.

Export Controls:

There are generally no restrictions on exports from Kuwait. Only a few items require export licenses. No duties are levied on goods exported from Kuwait. Foreign contractors, however, need a letter of clearance from the Director of Income Taxes, Ministry of Finance, to be able to export equipment from Kuwait for use on a project outside of Kuwait.

Import/Export Documentation:

Imports to Kuwait require three certified and legalized copies of the commercial invoice, three copies of the bill of lading (air waybill), and a certificate of origin. The certificate of origin should:

- Be duly certified by a U.S. Chamber of Commerce or the National U.S.-Arab Chamber of Commerce. Legalization is performed by the Kuwait Consulate in New York City or by the Kuwait Embassy in Washington, D.C.
- Contain the full name of the manufacturing plant or producer as well as the full name of the freight forwarder.
- Show the means of transportation.
- Indicate the country of origin.

Invoices and documents should be available to the importer before the arrival of goods in Kuwait as goods cannot be cleared through customs without these documents. Shipment of live animals, animal products, plants, or plant products require sanitary and health certification and inspection in the country of origin. All imported beef and poultry products require a health certificate from the country of origin and a certificate issued by an approved Islamic center in the country of origin which verifies that the meat contents and preparation comply with the Islamic Law (Halal).

Exporters should contact the U.S. Department of Agriculture, Animal and Plant Health Inspection Service (APHIS) for further information.

In addition, food and pharmaceutical products should bear the following:

- Batch or lot number
- Manufacturing date
- Expiry date or validity
- Description of contents
- Storage conditions
- Name of the pharmacopeia (for a pharmacopeial product)

Private Kuwaiti companies usually make payment by opening letters of credit through a Kuwaiti bank. Government agencies pay letters of credit directly through the Central Bank of Kuwait.

In brief, export documentation should include:

- detailed description of the goods;
- unit as well as total prices;
- net and gross weight;
- type of packing;
- full name and address of the manufacturers and the exporters;
- trademarks and numbers of the goods as shown in the manifest;
- means of transportation, the shipper's port and country of origin; and
- certification of the invoices by the authorized organizations.

Temporary Entry:

Products imported into Kuwait that do not comply with established standards and regulations may be allowed a three-month temporary entry against storage fees. If the exporter fails to correct the fault, the goods will either be re-exported at his own expense, or will be auctioned. Goods coming into Kuwait for transshipment may be allowed temporary entry. In addition, goods being imported for trade shows or exhibitions can be entered via a temporary import bond. However, temporary import bonds can be very expensive to secure and many exhibitors have found it less costly to simply pay the 4 percent tariff, even for goods to be re-exported.

Labeling, Marking Requirements:

All goods imported into Kuwait must be clearly marked with the country of origin. All foodstuffs should carry an Arabic language label (in Arabic or in Arabic/English) stating the name of the manufacturer, the brand name of the food product, the name of the food product, its composition (a list of ingredients and additives, if any, in descending order of importance), net and gross weight in metric units, country of origin and its production and expiration dates. All

fats and oils used as ingredients must be specifically identified on the label. Arabic stickers are acceptable provided they do not cover vital information on the original label.

Since February 1, 1986, the Department of Health of the Municipality of Kuwait has barred the entry into Kuwait of any imported food items if more than six months have elapsed since the original date of production shown on the package, provided the food item has an expiration date of more than one year after production. If the expiration date of the food item falls within a period of less than one year from the date of production, then such an item shall be denied entry into Kuwait if more than half of the life time of the item has elapsed, or if three months has elapsed, whichever elapsed period is shorter. However, food items whose expiration date falls within less than two months of the date of production are exempted from the above regulations.

Prohibited Imports:

Kuwait prohibits the importation of pork, pork products, alcoholic beverages, products containing alcoholic beverages and gambling machines, and materials that could be considered pornographic. Kuwait also prohibits imports from Israel.

Standards:

The Department of Standards and Meteorology at the Public Authority for Industry has drawn up about 300 Kuwaiti standards that are currently in force. These have been based on a combination of American, British, German and other national standards modified to suit Kuwait's needs.

In addition, Kuwait has adopted a number of import regulations that conform to Gulf Cooperation Council (GCC) standards. Examples of such import regulations are: instruction manuals for imported durable goods must be translated into Arabic; and consumer durable goods including, but not restricted to, large appliances must be able to operate without a transformer on Kuwait's 240 volt, 50 hertz power transmission system. The Ministry of Commerce and Industry has announced that it intends to relax its requirements on voltages and will soon allow products that will operate at 230 volts.

Free Trade Zones (FTZ)/Warehouses:

In July 1995 the National Assembly passed a law (Law No. 26 of 1995) authorizing the Ministry of Commerce and Industry to establish free trade zones in Kuwait. In June 1996 the Ministry received proposals from Kuwaiti private firms to operate, manage and market Kuwait's Free Zone at Shuwaikh port. The contract was awarded to the National Real Estate Company in the fall of 1996. On May 17, 1998, the Cabinet approved awarding and signing the agreement which gives the government 80 percent of the profits if NREC utilizes the Port Authority's facilities and only 10 percent if it does not. The Kuwait Free Trade Zone at Shuwaikh Port opened in 1999 and covers 1.7 million square meters. The FTZ is divided into three main sections: trade, services and industry, and includes warehouses, exhibition grounds, banks, cargo companies and

insurance companies. A trade center will also be built inside the FTZ to house exhibit and display facilities.

Warehouses are available in Kuwait not only in Shuwaikh but also at Shuaiba and in large refrigerated warehouses in other locations. Several leading importers also have their own warehousing facilities.

AGRICULTURAL TRADE REGULATIONS AND STANDARDS:

- Import Duty: All food products are exempt from import duty in Kuwait.
- Import Licenses: All imported beef and poultry products require a health certificate from the country of origin and a halal slaughter certificate issued by an approved Islamic center in the country of origin.
- Labeling: Food labels must include product and brand names, production and expiry dates, country of origin, name and address of the manufacturer, net weight in metric units, and a list of the ingredients in descending order of importance. All fats and oils used as ingredients must be specifically identified on the label. Labels must be in Arabic/English or Arabic only. Arabic stickers are accepted.
- Shelf lives: Kuwait enforces shelf-life standards for 44 food products. Manufacturer's shelf lives for the other food products are accepted. However, the manufacturer must print production and expiry dates on the original label or container. Products must arrive at destination within half the shelf-life duration. Suppliers should work closely with their local importers to ensure compliance with local shelf-life requirements.

VII. INVESTMENT CLIMATE

Openness to Foreign Investment

A. Government Policy:

Joint venture and foreign investment restrictions: on December 14, 1999, Kuwait's national assembly rejected, on constitutional grounds, the direct foreign investment and stock market opening Amiri decrees that the government of Kuwait had promulgated on June 4, 1999. However, identical pieces of legislation were introduced and recommended out of the economic and finance committee. In May 2000 the national assembly approved legislation opening the Kuwait stock exchange to direct participation by foreigners. Implementing regulations are expected to be in place by the end of the third quarter of 2000. The national assembly is currently reviewing legislation to reduce barriers to foreign investment, including authorizing initial ten-year tax holidays for new foreign investors and the elimination of current restrictions against majority foreign ownership. In some circumstances, the draft law would allow the creation of 100 percent foreign owned subsidiaries; guarantee the right to bring in expatriate labor (subject to minimum commitments to employ Kuwaiti workers); authorize duty free import of machinery and other equipment; and guarantee against expropriation without compensation

and the right to repatriate capital and profits. foreign firms would continue to not be allowed to invest in the upstream petroleum sector, but would be allowed to invest in joint venture petrochemical projects. Foreign firms are still limited to 40 percent ownership of banks. Foreign investment in real estate would remain limited to nationals of the other GCC-member states. Separately, a draft tax bill is under consideration by Kuwait's cabinet that would, inter alia, lower the maximum corporate income tax rate from 55 percent to 30 percent.

The state and the nationalized oil industry have dominated Kuwait's economy since the early 1970's. The government also acquired major holdings in private Kuwaiti firms following stock market crashes in 1979 and 1982. The 1990 Iraqi invasion of Kuwait exacerbated economic problems. After liberation, the government purchased from the banks outstanding debts emanating from the stock market crashes and put through a debt settlement law. The government has begun a successful effort to divest its equity holdings in private firms. To date, it has sold its full holdings in 28 firms and sold off portions of its equity holdings in 17 other firms. The divestiture program has raised approximately US\$ 3.2 billion. Due to weakness in the Kuwait stock exchange since late 1998, the Kuwaiti government has delayed divestiture of a remaining US\$ 2-3 billion in equity holdings in local companies.

Privatization of government entities remains at a standstill. Since 1992, Kuwait's national assembly has had under consideration a bill that would establish a framework for privatizing public utilities, which may pass within the next two years. Concerns that privatization will threaten employment of Kuwaiti workers and that privatization will lead to increases in highly subsidized utility fees make it unlikely that wide-ranging privatization will move forward in the near future. As a test case, the Kuwaiti government has issued a tender for a build-operate-transfer (B-O-T) wastewater treatment facility to be located in Sulaibiya, but there are preliminary signs that at least some members of parliament may try to delay its implementation.

Foreign-owned firms and the foreign-owned portions of joint ventures are the only businesses subject to corporate income tax, as high as 55 percent of gross profits in some cases. The government of Kuwait has announced plans to submit legislation that would reduce the maximum corporate income tax rate to 30 percent, but no legislative proposals have been put forward. The new foreign investment law would authorize up to a 10-year tax holiday for new investors. Kuwaiti firms are not subject to the corporate income tax, but those registered on the Kuwait stock exchange are required to contribute 2.5 percent of their national earnings to the Kuwait Fund for the Advancement of Science (KFAS) and will have to contribute an additional 2.5 percent once the new national employment law is implemented. The latter is to be used to finance a government program to give Kuwaitis working in the private sector the same social and family allowances provided to Kuwait's government workers. Kuwait levies no personal income tax.

Tax exclusions for business expenses are limited in some cases, for example, a three percent limit on deductions for agent commissions and a similar limit of three percent of gross revenues for all head office expenses in some cases (mainly for turnkey supply and installation-type contracts). Offshore as well as domestic income is taxed. Finally, the tax code is still under developed and open to interpretation. This results in some uncertainty regarding tax liability, but u.s. companies comment favorably on the professionalism of the Kuwait tax department. Kuwait has concluded a number of double taxation agreements with major European trading partners.

Kuwait's Commercial Law No. 68 of 1980 describes contract and commission agents and commercial representatives and law no. 36 of 1964 requires agents to be Kuwaiti nationals. In the post-liberation period there were exceptions made to these laws during the emergency period, but there have not been any exceptions made recently. It remains a matter of government

interpretation whether exceptions are available for particular purchases. Kuwait's Ministry of Defense for example requires that foreign defense contractors deal directly with the ministry and not through agents.

Agent and Distributor Rules: the requirement that a local agent be used in all sales transactions, as it currently exists, can create problems for some u.s. firms, particularly those that sign an agency agreement hastily without consulting local lawyers. A list of reputable lawyers that can guide American companies in this process is provided in Chapter IV, above.

Amendments have been adopted to Kuwait's commercial law, which permit foreign joint ventures in banking (up to 40 percent ownership), and other changes may, in time, permit GCC branch banking. In addition, the Kuwait Petroleum Company, for the first time in its history, concluded a joint venture agreement through its subsidiary petrochemical industries company with U.S.-based Union Carbide for a major (US\$ 2 billion) investment in petrochemicals.

Screening of foreign investment: the licensing authority of the ministry of commerce and industry screens all proposals for direct foreign investment. In the past, this authority has been used to encourage investments in higher technology industries and to discourage investments in sectors in which there was judged to be significant over-capacity; e.g. the pre-gulf war hotel industry.

Major sectors/matters in which foreign investors are denied national treatment or MFN treatment: under current laws, some specific sectors of the economy -- including upstream oil development; insurance; and real estate -- have been closed to foreign investment.

Discrimination against foreign investors at the time of the initial investment and after the investment is made: a majority foreign investment is not currently authorized and certain prohibited sectors remain off-limit to foreign investors, i.e. oil and financial services. Differential corporate tax treatment remains an issue as only foreign firms are subject to the corporate income tax.

B. Conversion and Transfer Policies

The Kuwaiti Dinar is freely convertible at an exchange rate calculated daily on the basis of a basket of currencies, which is weighted to reflect Kuwait's trade and capital flows. In practice, the Kuwaiti Dinar has closely followed the exchange rate fluctuations of the u.s. dollar. There are no restrictions on current or capital account transactions in Kuwait, beyond a requirement that all foreign exchange purchases be made through a bank or licensed foreign exchange dealer. Equity, loan capital, interest, dividends, profits, royalties, fees and personal savings can all be transferred in or out of Kuwait without hindrance, or shift the activities in directions not solely determined by economic criteria.

C. Expropriation and Compensation

There have been no recent cases of expropriation or nationalization involving foreign investments in Kuwait. In the past, when foreign companies were nationalized (as in the case of the nationalization of Kuwait's oil industry during the 1970's), the foreign interests were compensated promptly and effectively. The draft foreign investment legislation would offer specific guarantees against expropriation without compensation and protects the right to repatriate profits and original investments.

D. Dispute Settlement

Kuwait does not generally permit international arbitration in the case of commercial or investment disputes. Kuwait, however, is a signatory to the International Center for the Settlement of Investment Disputes (ICSID - also known as the Washington Convention) and the New York Convention of 1958 on the recognition and enforcement of foreign arbitral awards. Clauses specifying recourse to international arbitration are only occasionally written into commercial contracts. As a result, many disputes are still settled in local courts or through traditional commercial and political negotiations. Central bank of Kuwait experts state that Kuwait's judicial system recognizes and enforces foreign judgements only when reciprocal arrangements are in place.

There have been no investment disputes involving American firms in Kuwait for at least the last five years. Commercial disputes are much more common. In both cases, the slow pace of the legal system here can be very frustrating to American claimants.

Kuwait has a developed legal system. It is a civil code system influenced by traditional Islamic Shari Law. As a traditional trading nation, the judiciary here is familiar with international commercial laws. Kuwait has been a GATT member since 1963 and has signed the WTO agreement. Kuwait is not a signatory to the GATT government procurement code.

A feature of Kuwaiti law which u.s. business should be aware of is the application of travel bans which may be applied against individuals who have civil or criminal cases registered against them. The ban prevents individuals from departing Kuwait until the pending matter is settled, or acceptable guarantees are offered. There have been incidents involving u.s. businessmen in which former Kuwaiti business partners have managed to have travel bans imposed on their former partners on the basis of allegations of violating Kuwaiti civil or criminal laws. Bans have eventually been lifted if the accused is not found guilty, but typically constitute a significant cost in time and money to American businessmen. While infrequent, such cases highlight the need to take extra care before entering into long-term business relationships in Kuwait.

D. Performance Requirements/Incentives

Agency requirements: Kuwait has a blanket agency requirement that mandates that all foreign companies trading in Kuwait (except with the ministry of defense) either engage a Kuwaiti agent or establish a Kuwaiti company, with majority Kuwaiti ownership and management.

Government Procurement Requirements: Law No. 37 of 1964 (as modified by laws no. 18/70 and 81/77) governs public tenders in Kuwait and requires a foreign person or company to bid on public tenders through a Kuwaiti agent or partner (article 5), except in the case of the Ministry of Defense. Law No. 37 also specifies the use of local products when available and prescribes a 10 percent price advantage for local firms in government tenders (Articles 3 and 43).

Investment Incentives (e.g. grants, tax deferrals, special access to credit, import quota exceptions, etc.) available to foreign investors and favored treatment given to foreign investors: while there are currently no investment incentives, the draft foreign investment law would authorize exemptions from import duties and corporate income taxes for periods of up to ten years.

Boycott: while Kuwait in June 1993 publicly announced the end of enforcement of the secondary and tertiary Arab League boycotts of Israel. There are occasional reports that some tender requests contain boycott clauses reportable under U.S. anti-boycott laws. This appears to happen as a result of use by government offices of old forms, or mistakes by lower level staff. When drawn to the attention of the government, this language is not enforced. Kuwait has stated that it

will wait for Arab League action before eliminating the primary boycott of Israel.

Shipping requirements: in the past, Kuwait prevented access to government project cargo by U.S. shipping lines by giving the United Arab Shipping Company (UASC) the right of first refusal on all government project cargoes. The Kuwait government has assured the U.S. embassy that this no longer applies to shipments from U.S. ports. Problems should be reported to the embassy.

U.S. and foreign firm participation in government-financed and/or subsidized research and development programs on a national treatment basis: while there are no specific bars to foreign participation in government-financed or -subsidized research and development, there has been little activity of this type to date. Few U.S. firms are interested in research and development in Kuwait, although options available under Kuwait's offset program may change this. Any program would likely be evaluated on a case by case basis. U.S. participation that brought expertise unavailable locally would be welcomed in most cases. The Kuwait institute for scientific research (KISR) has expressed interest in working with foreign firms. The absence of an effective patent law has made R&D efforts unattractive, but may change if the national assembly approves the new draft patent law.

The counter-trade/offset program established in 1992 offset obligations for supply contracts to the Kuwaiti government worth KD one million or more (about US\$ 3.28 million). Contractors are required to invest 30 percent of the government contract in an approved offset business venture with a Kuwaiti partner in Kuwait, the GCC or the rest of the Arab world. The project must achieve sustainable economic benefits; provide new investment opportunities inside Kuwait; help in the transfer of technology to the Kuwaiti private sector; create training opportunities for Kuwaitis; help market local produce overseas; or participate in Kuwait's foreign aid program. Non-performance penalties equivalent to six percent of the value of the contract can be levied. Further details are available from the commercial service at the U.S. embassy in Kuwait or the finance ministry's counter trade offset program executive office.

Discriminatory or excessively onerous visa, residence or work permit requirements, or similar requirements inhibiting foreign investors: Kuwait has a stringent visa and work permit regime. A local sponsor is required for most work permits.

Recent reciprocal changes between the United States and Kuwait, particularly the introduction of a 10-year multiple entry visa, have benefited U.S. citizens traveling to Kuwait on business. Foreign-born U.S. citizens, especially those of Middle Eastern descent, at times experience difficulties with visa and residency applications. Any problems experienced by potential U.S. visitors should be referred to the bureau of consular affairs, department of state.

E. Right to Private Ownership and Establishment

Rights to private ownership and establishment are respected in Kuwait, though, as noted above, foreigners face selected restrictions. Licenses from the ministry of commerce and industry are required for the establishment of all new companies. In addition, some sectors of the economy, including oil production and refining, are dominated by state-owned monopolies. Government ownership is common in other sectors of the economy, including banking and insurance, in part as a result of stock interests acquired during rescue programs following the crash of the "Souk Al-Manakh" stock market in 1982. The government divested a large part of these holdings between 1995 and 1998 but has since suspended the program due to a weak local stock market.

Kuwaiti law permits private ownership of property by its citizens, but severely restricts the types of collateral to which creditors may have recourse in the event of default by a borrower. Banks

may not foreclose on residential real property or personal property in the event of default, but they may, however, sue the borrower for the balance due under the loan contract. Borrowers normally pledge a portion of their future severance benefits as collateral for a bank loan. Non-GCC foreigners are not permitted to own land.

F. Protection of Intellectual Property Rights

Kuwait became a member of the World Intellectual Property Organization (WIPO) in April of 1998. With the Kuwait national assembly's passage of a copyright law in December 1999, Kuwait took a significant step forward in the protection of intellectual property rights. While the new copyright law was specifically intended to bring Kuwait's IPR regime into conformity with its obligations under the WTO agreement on the trade-related aspects of intellectual property rights (TRIPS), several amendments are still required to make it fully TRIPS-compliant. The copyright law took effect February 9, 2000, and has had a noticeable initial impact on reducing copyright piracy activity. Continued effective implementation, including judicial enforcement, will, however, be needed. The national assembly has not yet voted on the draft patent law that was introduced following the national assembly's rejection of the Amiri patent decree. Action on the draft patent law is expected before the end of 2000.

Even prior to passage of the December 1999 copyright law, Kuwait took several steps to protect intellectual property. In April 1998, Kuwait's minister of planning issued an order banning the use of pirated computer software on Kuwait government computers. In December of 1998, the Kuwait minister of health issued a decree barring the registration for use in Kuwait of any pharmaceutical product that was an unauthorized copy of a product still under patent protection in its country of development.

While Kuwait has had a functioning trademark law since 1962, the penalties under it are low (a maximum fine of US\$2,100). Procedures for application and renewal of trademarks are cumbersome and impose considerable expense on those registering.

Kuwait was lowered to the USTR's Special 301 Watch List, from the priority watch list, in April 2000 following passage of the copyright law and initial implementation. However, passage of patent protection for pharmaceutical products and TRIPS-compliant amendments to the copyright law are still needed.

Patents: The National Assembly is expected to pass the patent legislation before the end of 2000. Subject to clarifying implementing regulations, the draft legislation would address several shortcomings and would bring Kuwait closer to current international standards. The embassy understands that Kuwait is leaning toward establishment of a national patent system that will use a confirmation system to grant patents to foreign products already holding patents issued by an internationally recognized patent authority.

Copyrights: Kuwait's copyright law extends protection to audio, video and computer software products published in foreign countries that are members of WIPO. While penalties (maximum of one year in jail and fines of up to US\$ 1650) are below international standards, these are increased for repeat offenders. The law also provides for collection of civil damages by the copyright holder.

Trademarks: in the past, companies on the boycott list have been denied trademark protection in Kuwait. Kuwait currently no longer enforces the secondary boycott.

Trade Secrets: there are no statutory provisions for the protection of trade secrets in Kuwait;

protection depends entirely on that negotiated in a contract between the party disclosing the trade secret and the party exploiting that secret commercially in Kuwait. Disclosure of official Kuwaiti government documents, such as material contained in patent applications, may be treated as a criminal offense.

Semiconductor chip layout design: semiconductor chip layout design, while not currently protected, would be protected under Kuwait's draft patent legislation for a period of ten years.

G. Transparency of the Regulatory System

Laws and procedures: the government has not adopted a transparent policy or effective laws to foster competition since there is no meaningful antitrust division in the Kuwait government. In addition, there are few tax, labor, health and safety, and other laws and policies designed to avoid distortions or impediments to the efficient mobilization and allocation of investment. Kuwait's low tariff barriers and open market are the most important factors in the allocation and mobilization of investment. While, the Kuwaitis are sophisticated international investors, bureaucratic procedures can be time consuming and prone to the red tape more often encountered when investing in developing countries.

Regulatory Policies: Kuwait has a small, open economy that has generally been able to rely upon a flood of foreign goods and services to maintain fairly competitive conditions. However, where government intervention has occurred, it has tended to favor Kuwaiti citizens and Kuwaiti-owned companies. As noted above, income taxes, for instance, are currently levied on foreign corporations and foreign interests in Kuwaiti corporations at rates that range as high as 55 percent of all net income.

H. Efficient Capital Markets & Portfolio Investment

Kuwait has a free, but, to date, not very efficient, capital market. Underpinned by government subsidies, that market -- and particularly Kuwait's commercial banks -- functioned throughout the 1980's basically to collect funds for re-lending to favored customers. Payment discipline was lax and real economic losses common, though disguised by government programs, including, in particular, government guarantees for all the liabilities, equity and profits of Kuwaiti banks.

Under a bank stabilization program introduced in 1992, the central bank purchased all of the outstanding domestic credits of Kuwait's commercial banks, while eliminating all guarantees for profits as well as equity and liabilities other than the bank's deposit liabilities. Henceforth, all losses will stay with the banks, which will be responsible for the management of all their assets and liabilities. The central bank has also taken steps to sharply improve bank supervision. As a result, credit distribution through Kuwait's banking system is far more efficient and rational than it has been in the past. General bank performance appears to continue to improve with four of the six commercial banks in Kuwait reporting solid earnings growth in 1999.

Bank Assets:

The assets of Kuwait's commercial banks on December 31, 1999, were: (in '000s)

Bank	KD	US\$
National Bank of Kuwait	3,797	12,449
Gulf Bank	1,777	5,826

Commercial Bank of Kuwait	1,378	4,518
Al-Ahli Bank	1,161	3,807
Burgan Bank	1,149	3,767
Bank of Kuwait and the Middle East	897	2,941
Overall:	10,159	33,308

*US\$1 equals KD.305

The quality of local banks varies from blue chip, world-class operations to very weak. Portions of some bank assets have been non-performing in the past. The balance sheets of some local banks are heavily weighted toward lower-yielding government bonds.

Kuwait maintains a well-regulated stock exchange, which reopened on September 28, 1992, for the first time since the war and which lists stocks of 76 Kuwaiti companies and nine companies from other Gulf States. Kuwait's may 2000 decision to open its stock exchange to direct participation by non-GCC foreigners is expected to be implemented in the third quarter of 2000. It is likely that the regulations will be similar to those now applied to GCC citizens who currently are allowed to trade on the KSE. Those regulations essentially grant GCC citizens national treatment subject to the following two restrictions: (1) ownership is restricted to a maximum of 49 percent and (2) non-Kuwaiti citizens cannot serve as chairman of a kuwait-registered company.

Credit is allocated on market terms and under a variety of government programs. Foreign investors are able to obtain credit on the local market. The private sector has access to a variety of credit instruments through local banks.

Legal, regulatory, and accounting systems tend to be more opaque than transparent, but are generally consistent with international norms. The central bank of Kuwait requires annual reports for local banks to meet international accounting standards. Local legal and financial advice should be sought for complicated investments and transactions.

There are no "cross-share holding" and "stable-share holding" arrangements used by private firms to restrict foreign investment through mergers and acquisitions because there is very little foreign investment in Kuwait. The government of Kuwait has sold its significant equity holdings in several commercial banks and retains majority shareholder status only in the bank of Kuwait and the Middle East.

As there are very few hostile takeovers in Kuwait, there are few defensive measures to protect against this practice.

Private sector and/or government efforts to restrict foreign participation in industry standards-setting consortia or organizations: embassy is not aware of any specific cases of such restrictive participation. U.S. suppliers have difficulty complying with specifications that are technologically tailored closely to equipment offered by other (mostly European) suppliers. Existing standards favor European (especially U.K.) suppliers. U.S. suppliers' preference for turnkey projects does not match the Kuwait government's preference for splitting large projects

into a series of small ones (with each one tendered separately). The role of GCC-wide standards will be critical in the future.

Other practices by private firms to restrict foreign investment, participation, or control in/of domestic enterprises: Kuwait is a very big small town. Family, clan and tribal ties throughout the business community and government can restrict foreign participation, investment and control of domestic enterprises.

I. Political Violence

Politically motivated damage to projects and/or installations: terrorism in Kuwait is minimal, but the potential for it to occur anywhere in this region is high. The threat of terrorism in Kuwait comes primarily from Iran and Iraq. Iran, in particular, has demonstrated the capability to conduct worldwide terrorist operations through surrogates, and is suspected to have sponsored a wave of terrorist strikes in Kuwait during the 1980's. These included a truck bomb attack against the U.S. Embassy. Iraq was responsible for the attempted attack on former president George Bush during his visit to Kuwait in April 1993. Small-scale bombings of cinema, video and music houses have occurred, but the last such bombing occurred in early 1994. No group claimed Kuwaiti authorities did not apprehend responsibility and the perpetrators. There have been no politically motivated attacks on u.s. projects and/or installations in Kuwait since liberation in 1991, except for a mysterious drive-by shooting in mid-1993 in which a building housing U.S. contractors was fired upon. More recently, terrorist financier Osama Bin Laden has issued threats against targets that include Kuwait.

J. Corruption

The typically lengthy procurement process in Kuwait occasionally results in accusations of attempted bribery or the offering of other inducements by foreign bidders and/or their local agents. This is a crime in Kuwait and there are currently several investigations or trials in progress involving current or former government officials suspected or charged with malfeasance. There have, however, been no convictions of individuals for accepting or offering bribes since the end of the gulf war. Efforts to improve accountability include passage in 1996 of Law 25 which requires that all companies securing contracts with the government of Kuwait valued at KD100,000 (US\$336,000) or more report all payments they made to Kuwaiti agents or advisors to secure the contract. The law similarly requires entities and individuals in Kuwait to report any payments they received as compensation for securing government contracts.

K. Bilateral Investment Agreements

Kuwait has signed or initialed bilateral investment agreements with 37 countries. These include agreements with Germany, France, Italy, Russia, China, Romania, Poland, Hungary, Turkey, Malaysia, Jordan, Pakistan, Switzerland, Malta and the United Kingdom. It has initialed agreements on bilateral investment with Denmark, Belgium, the Netherlands, Thailand, the Ukraine, Latvia, Lithuania, Lebanon, Bosnia and Herzegovina, and India.

L. OPIC and Other Investment Insurance Programs

In 1989, Kuwait concluded an agreement with the United States on investment guaranty programs, which facilitated the extension of programs from the Overseas Private Investment Corporation (OPIC) to Kuwait. Kuwait is a member of the Multilateral Investment Guarantee Agency (MIGA).

M. Labor

Kuwait has a diverse labor force. Kuwaiti nationals occupy most of the top management positions in the private and government sectors of the economy. Moreover, unemployment among Kuwaitis is virtually nonexistent as a result of government policies to promote the hiring of Kuwaitis in both sectors; but underemployment of Kuwaitis is a growing problem. Kuwaitis are outnumbered in the work force, however, by expatriate laborers of diverse backgrounds. While there are a number of American and western European workers in Kuwait, particularly in the higher-skilled positions, the vast majority of expatriate workers are lower paid laborers from other middle eastern countries, south Asia and the Philippines. Prior to the gulf war, Palestinians occupied many of the country's middle-management positions. Since the war, most such positions have been filled by workers of other nationalities, often Egyptians and South Asians.

Since liberation, the government of Kuwait has adopted policies intended to limit the resident expatriate population, which, before the war, accounted for approximately 80 percent of Kuwait's 700,000-person work force. To enforce this program, the government has instituted a quota system on work permits, forbade the transfer of workers from one sponsor to another within the private sector, and have recently levied new fees on expatriate workers and their families in order to raise the cost of employing foreign workers.

Kuwaiti workers have the right to organize and bargain collectively, but Kuwaiti law prevents the establishment of more than one union per functional area or more than one general confederation. Foreign workers, who still constitute the vast majority of the work force, are permitted by law to join unions as nonvoting members after five years of residence in Kuwait. The right to strike is also recognized for private sector workers, though that right is limited by provisions calling for compulsory negotiation and, eventually, arbitration in the case of disputes. Kuwaiti labor law prohibits antiunion discrimination.

Separate Kuwaiti labor laws set work conditions in the public and private sectors, with the oil industry treated separately. Forced labor is prohibited, and the minimum age for employment is eighteen years. For most types of work, however, youth as young as 14 may work part-time in some non-industrial positions. A two-tiered labor market ensures high wages for Kuwaiti employees while foreign workers, particularly unskilled laborers, receive substantially lower wages. There is no minimum wage for the private sector; in the public sector, the current effective minimum wage is KD226 (US\$ 741) per month for Kuwaiti bachelors and KD301 (US\$ 987) per month for married Kuwaitis, and KD90 (US\$ 295) per month for non-Kuwaitis. The basic labor law also limits the workweek to 48 hours, provides for a minimum 14 days leave per year and establishes a compensation schedule for industrial accidents. The labor law does not protect domestic servants.

The International Labor Organization's (ILO) committee of experts continues to reiterate its longstanding criticisms of a number of discrepancies between the kuwaiti labor code and ILO conventions 1, 30 and 87 on hours of work and freedom of association. Areas criticized by the ILO include the prohibition on establishing more than one trade union for a given field; the requirement that a new union must have at least 100 workers; the requirement that foreign workers must reside in Kuwait for five years before joining a trade union; the denial of foreign trade unionists the right to vote and to be elected; the prohibition against trade unions engaging in any political or religious activity; and the reversion of trade union assets to the Ministry of Social Affairs and Labor in the event of dissolution. A new labor law has been under consideration for over 10 years.

O. Foreign Trade Zones/Free Ports

In July 1995 the national assembly passed a law (law no. 26 of 1995) authorizing the ministry of commerce and industry to establish free trade zones in Kuwait. In May 1998 the ministry signed a contract with the privately-owned Kuwait real estate company to operate, manage and market a 50 square kilometer Kuwait free trade zone (KFTZ) at Shuwaikh Port which was inaugurated in November 1999. Many of the current restrictions on foreign investors (majority ownership, corporate tax, etc.) do not apply to offices or plants established in the KFTZ. Interest in the free trade zone is reportedly strong, with about 80 percent of the available space leased.

P. Foreign Direct Investment

Kuwaiti public investments abroad consist of the portfolio investments held by the Kuwait Investment Authority, which are now estimated at more than US\$60 billion, and the direct investments of several other Kuwait government entities such as the Kuwait Petroleum Corporation in oil production, refining and distribution. Specific investments of KIA and other government entities are not divulged and are protected by stringent state secrecy laws. In addition, private Kuwaitis hold foreign assets, in the form of both direct and portfolio investments, which are generally believed to be equal to government holdings. Direct U.S. investment in Kuwait was estimated at US\$1 billion by the U.S. Department of Commerce in 1999.

There are only two major foreign investors in Kuwait. One is the Japanese-owned Arabian Oil Company, which holds the Kuwaiti offshore concession in the Partitioned Neutral Zone (PNZ). Union Carbide has a joint venture with KPC's Petrochemical Industries Company for a US\$2 billion dollar petrochemical project (named Equate) which began production in November of 1997. Sprint International has a joint venture with the Ministry of Communications to provide telecommunications services in Kuwait. Investment by other countries in Kuwait is also limited. Many of these are enterprises set up to meet Kuwait's offset requirements.

While U.S.-owned Saudi Texaco has its headquarters located on the Kuwait side of the PNZ, it operates under a Saudi concession for Saudi Arabia's share of the on-shore oil resources in the PNZ.

VIII. TRADE AND PROJECT FINANCING

Description of the Banking System:

Under the supervision and authority of the Central Bank of Kuwait, the Kuwait financial sector is made up of seven commercial banks that follow international banking standards. These banks provide traditional banking services such as savings accounts, traveler's checks, credit cards, money market accounts, remittances, etc. In addition, Kuwaiti banks can provide U.S. companies and individuals with financial assistance and support. The Kuwait Finance House is the only Islamic bank in Kuwait providing services and products comparable to those of a Western-style commercial bank.

There are also three specialized government banks in Kuwait that provide medium and long term financing. For example, the Industrial Bank of Kuwait finances industrial and agricultural projects. The Kuwait Real Estate Bank (KREB), on the other hand, provides financing for real

estate projects. The role of the Credit and Savings Bank is to help individual Kuwaitis with financial support for housing and personal residential development.

Many Kuwaiti banks have full correspondent relationships with major U.S. banks. The banks most frequently mentioned as providing a wide range of correspondent services are Citibank, Bankers Trust and Chemical Bank. There are, however, numerous other American banks providing specific services such as investment advice, credit card processing, traveler's check processing and foreign exchange trading services. In addition, many non-U.S. banks with operations in the United States also have firm correspondent relationships with Kuwaiti banks. These include Credit Lyonnais, Deutsche Bank, Dresdner Bank and Standard Chartered Bank.

Due to the broad and sophisticated nature of operations at Kuwaiti banks, there are expectations that foreign correspondent banks should be able to respond to a full range of banking needs. Kuwaiti banks have a global perspective and expect their foreign correspondents to work with them at that level.

Foreign Exchange Controls Affecting Trading:

There are no foreign exchange restrictions in Kuwait. The Kuwaiti Dinar is freely convertible for all current and capital account transactions at an exchange rate calculated daily on the basis of a basket of currencies which is weighted to reflect Kuwait's trade flows. In practice, the Kuwaiti Dinar has closely followed the exchange rate fluctuations of the U.S. dollar over the past year.

General Financing Availability:

Kuwait offers American companies a number of resources for trade and project financing. These include world-class commercial banks, sophisticated investment companies and Islamic financial institutions. Kuwaiti banks are able to provide financial facilities direct to the U.S. company based on its financial statements or supported by a counter guarantee from a reputable bank in the U.S. Subject to the nature of the consignment, financing by Kuwaiti banks can be offered on a variety of terms. These include direct payment, cash in advance, documentary collection, letters of credit, and letters of guarantee. Under the supervision and authority of the Central Bank of Kuwait, the seven commercial banks described above follow international banking standards. There are also three specialized government banks in Kuwait providing medium and long term financing.

U.S. firms can work through their agents to assign the proceeds of the contract in favor of the local bank. An U.S. company may receive financing through their local agent or by a joint venture partnership formed with its Kuwaiti counterpart. In addition, U.S. companies may approach local lead agents such as investment companies and/or banks to issue KD bonds on their behalf under the company name. Approval for the issuance of the bonds is subject to the financial standing of the company, a market study, and the approval of the Central Bank of Kuwait. The advantage of using bonds as a financing tool is that it avoids foreign exchange

fluctuations over the term of the contract. Due to Kuwaiti government budgetary constraints, providing financing packages as part of a project proposal gives U.S. companies an excellent advantage. U.S. firms are encouraged to approach the Export Import Bank of the U.S. and other international financial institutions to obtain financial packages that may help make their bids more attractive in the Kuwaiti market.

Requirements to Open a Company Account in a Kuwaiti Bank:

- Memorandum of Association
- Articles of Association
- Board Resolution - stating the persons authorized to open and operate the account on behalf of the company and obtain any form of credit facilities. This resolution should also state who has the authority to amend the signatories to the account.
- All of the above documents should be notarized by a Chamber of Commerce and the Kuwait Embassy in Washington D.C.
- Account Opening Forms duly signed (in the presence of a bank officer)
- Photocopies of the passport of the U.S. firm's representative

Products and services available through Kuwait banks include:

- Bid bonds, performance bonds, advance payments, guarantees, retention bonds, etc.
- Sight drafts and letters of credit in any major currency
- Cash facilities (i.e. lines of credit, loans) in Kuwaiti Dinars or other major currencies
- Foreign exchange hedging lines
- Day-to-day banking transactions for the company and its employees

How to Finance Exports/Methods of Payment:

Subject to the nature of the consignment, financing by Kuwait banks can be offered on a variety of terms. These include:

- direct payment
- cash in advance
- documentary collection
- letters of credit
- letters of guarantee

The Kuwait banking system is highly professional and fully capable of handling short and medium term financing for all types of transactions in the major currencies of the world.

Types of Available Export Financing and Insurance:

Eximbank facilities are available for public sector imports of U.S. goods and services through the

Kuwait Investment Authority (the sole government body to borrow on behalf of the state, government ministries and government agencies.) Private sector firms can obtain financing through local banks either in the name of their local agent, the U.S. firm, or jointly.

Project Financing Available:

Gulf Investment Corporation (GIC), headquartered in Kuwait and formed by the six Gulf Cooperation Council (GCC) countries, (Bahrain, Kuwait, Saudi Arabia, Qatar, Oman and the United Arab Emirates) is a multi-service financial institution. GIC's objective is to provide a range of financial services to both corporate and private investors. These include portfolio management, syndications, new bond and equity issues, financial advisory services, and other capital market activities and direct investment. GIC's strategy for direct investment is to promote joint venture partnerships in such fields as manufacturing, agriculture, minerals and other industrial services by providing equity and debt funding.

The International Investor (TII) and the International Investment Group (IIG) are private Islamic investment groups that specialize in the design and delivery of a range of international and local investment products and services, including project and export finance. TII and IIG provide corporations and individuals with custom-made financial services and products designed to meet the specific needs and requirements of U.S. companies.

Kuwait is a member of the World Bank's International Bank for Reconstruction and Development, International Development Association, International Finance Corporation, or Multilateral Investment Guarantee Agency.

Banks with Correspondent U.S. Banking Arrangements:

Local Bank / Correspondent Bank

Al-Ahli Bank/ Bank of New York
P.O. BOX 21923 Safat
13014 Kuwait
Tel.: (965) 244-4444
Fax.: (965) 242-4557
General Manager: Nasser A. Malek

Bank of Bahrain & Kuwait / National Bank of Kuwait, NY
P.O. BOX 24396 Safat
13104 Kuwait
Tel.: (965) 241-7140
Fax.: (965) 244-0937
General Manager: Michael Khazen

Bank of Kuwait & the Middle East / Bankers Trust & Chemical Bank
P.O. BOX 71 Safat
13001 Kuwait Group
Tel.: (965) 245-9771
Fax.: (965) 246-1430
Acting GM: Issam Al-Ossaimi

Burgan Bank / Chase Manhattan Bank & Citibank
P.O. BOX 5389 Safat
13054 Kuwait
Tel.: (965) 243-9000
Fax.: (965) 246-1148
Chairman & General Manager: James McNie

Commercial Bank of Kuwait /Chemical Bank & Commercial Bank of Kuwait, N.Y. Branch
P.O. BOX 2861 Safat
13029 Kuwait
Tel.: (965) 241-1011
Fax.: (965) 245-0150
General Manager & CEO: Jamal Al-Mutawa

Gulf Bank / Citibank & Bankers Trust
P.O. BOX 3200 Safat
130032 Kuwait
Tel.: (965) 244-9501
Fax.: (965) 244-6126
General Manager: Ziad F. Sarawan

Industrial Bank of Kuwait / National Bank of Kuwait, N.Y. Branch
P.O. BOX 3146 Safat
13032 Kuwait
Tel.: (965) 245-7661
Fax.: (965) 246-2057
Chairman & Managing Director: Saleh M. Al Yousef

Kuwait Finance House / Citibank
P.O. BOX 24989 Safat
13110 Kuwait
Tel.: (965) 244-5050
Fax.: (965) 245-5135
Managing Director: Bader A. Al Mukhazeem

Kuwait Real Estate Bank / Bank of America

P.O. BOX 22822 Safat
13089 Kuwait
Tel.: (965) 245-8177
Fax.: (965) 246-2516
Acting General Manager: Wafaa Ahmed Al Qatami

National Bank of Kuwait/ National Bank of Kuwait, N.Y. Branch
P.O. BOX 95 Safat
13001 Kuwait
Tel.: (965) 242-2011
Fax.: (965) 264-1456
Chief General Manager: Ibrahim Dabdoub

IX. BUSINESS TRAVEL

Business Customs:

Visiting U.S. business executives will have no communication problems with their Kuwaiti counterparts as English is widely spoken and many Kuwaitis have been educated abroad.

Private companies work six days a week (Saturday through Thursday). Some companies work from 8:00 a.m. to 5:00 p.m.; others work from 8:00 p.m. to 12:30 p.m. and from 4:30 p.m. to 8:30 p.m. On Thursdays, companies work from 8:00 a.m. to 1:00 p.m. Government offices close on Thursdays and Fridays. Banks and insurance companies close on Fridays and Saturdays.

Appointments with managers often take place after 9:00 p.m. During summer, Kuwaiti managers prefer to meet with foreign visitors after 6:00 p.m. Business during the very hot summer season, especially July and August, is very slow as many managers leave the country for extended vacations with their families.

Kuwait is a Moslem country. However, nationals of over 120 countries live and work in Kuwait. Kuwaitis are very hospitable and it is customary for them to invite their foreign guests to their diwanias (meeting places) in the evenings, or even to their chalets (beach/vacation cottages) on weekends.

Travel Advisory and Visas:

Passports and visas are required for U.S. citizens traveling to Kuwait. Airport visas are available to U.S. passport holders and can also be arranged through most hotels in Kuwait. For more information concerning entry requirements, travelers may contact the Embassy of Kuwait in Washington D.C. at telephone number: (202) 966-0702, or the Kuwaiti Consulate in New York City, telephone number: (212) 973-4318.

Business visitors traveling on a temporary or visit visa to Kuwait must observe the length of stay permitted in their visa. Currently, most visit visas are valid for ten years, multiple entries and stays of up to one month. Fines are charged for each day overstayed; the fine is currently ten Kuwait Dinars per day, per person (approximately US\$ 34).

Visitors to Kuwait should be aware of the dangers presented by unexploded land mines and other ordnance throughout the country. Stay on main roads and do not travel on unpaved roads; avoid open areas and the desert. U.S. citizens should not go near the border with Iraq and should be very careful when traveling north and west of Kuwait City.

Kuwait's crime rate is moderate and violent crime is rare. Crime against the American community is low. Sexual harassment of women does occur, and suitable precautions should be taken. Visitors to Kuwait should dress conservatively, exercise prudent security measures and be sensitive to social and cultural norms in this conservative Muslim country. Use of narcotics is increasing in Kuwait, and visitors found with illegal narcotics or substances are subjected to tough criminal penalties. Vehicle accident and death rates are particularly high in Kuwait. Good road surfaces, powerful cars and lax enforcement of traffic regulations combine to make speeding commonplace and driving very hazardous.

No alcohol, pork products, or pornographic materials may be imported into or used in Kuwait. If prohibited items are discovered in a traveler's effects, he or she may be arrested and prosecuted.

Holidays:

Government offices close on a number of occasions, including but not restricted to, the following: New Year's Day; Kuwait National Day (February 25); Kuwait Liberation Day (Feb. 26); and a number of Islamic holidays. Government offices operate with very limited business hours during the holy month of Ramadan (the dates of which vary from one year to the next).

Appointments should not be scheduled on Thursdays and Fridays. Official and business visits are not encouraged during Ramadan, as social obligations for Kuwaitis expand greatly and are very time consuming during this period.

Business Infrastructure (e.g. Transportation, Language, Communications, Housing, Health, Food, etc.)

Transportation:

The road system in Kuwait is modern, well lit and easily navigated by car. U.S. visitors should be aware, however, that there may not be any street addresses in older sections of Kuwait City. It is always best to call ahead to confirm directions and the exact location of the company or ministry one intends to visit. Public transportation is neither air conditioned or reliable. Air-conditioned taxis are readily available at major hotels or taxi stands. Orange taxis should be

avoided as they are used as commuter shuttles by day laborers. Their drivers are almost illiterate.

Car rental is also readily available to U.S. visitors with a valid U.S. driver's license (which permits one to drive in Kuwait for the duration of the visitor's visa). U.S. motorists should be careful of Kuwait's traffic conditions, which are often dangerous as a result of local drivers' fast driving, large vehicles and limited adherence to traffic regulations.

Language:

Arabic is the official language in Kuwait. English is the second language for most of the expatriate community and the principal language of the business community.

Communications:

Kuwait has a good communications network. It is possible to make calls from Kuwait to any part of the world from apartments (for residents), from offices, and from any hotel. Faxes may be sent from the business centers of leading local hotels, such as the Sheraton Kuwait Hotel, Holiday Inn Crowne Plaza Kuwait Hotel, Safir International Hotel, Le Meridien Kuwait Hotel or Radisson SAS Kuwait Hotel.

Secretarial support is available in business centers at five-star hotels. One page of typing of English text costs approximately US\$5.00. A business executive hotel guest may use these services on a walk-in basis. Written translation from English to Arabic text or vice versa costs approximately US\$17.00 per document up to a maximum of 350 words per document. Oral translation costs about US\$336.00 per day.

Housing:

Foreigners visiting Kuwait will have no problem finding modern, spacious and air conditioned housing. There are numerous luxurious residential complexes, villas, and apartments. Short-term visitors may stay in hotels, or in furnished apartments which are usually rented for minimum stays of one week. Public water and electricity are presently subsidized by the Kuwait government; consumers are charged KD0.800 (US\$2.70) for 1,000 Imperial gallons of water and KD0.002 (US\$0.07) per kilowatt-hour of electricity. The Ministry of Electricity and Water is preparing for increasing power prices. Local telephone service is free as a result of subsidies, however there is an annual service charge of 30 KD on each telephone line.

The approximate cost of a medium-size hospitality function at a five-star hotel would be US\$20-30/guest for a first-class function. A week's notice is required for such functions.

Health:

U.S. business visitors to Kuwait should encounter few health problems apart from coping with the extreme heat and large amounts of dust during the summer months. Although tap water is

safe to drink, it is recommended to use bottled water as an added precaution. Food in Kuwait, including salads and dairy products, is generally fresh and healthful; there are many fine restaurants.

The quality of medical care in Kuwait will vary depending on the facility, the personnel on duty and the nature of the medical problem. Although many medications are available in the country, visitors are advised to bring enough prescription medication (as well as a signed prescription) for their entire stay. Visitors should consider purchasing short term medical insurance which includes a medical evacuation option in the event of a medical emergency which requires treatment in the U.S. Should medical care be required while in Kuwait, there are two options: the government system or the private sector. For routine care in the government system, access is through the polyclinic (neighborhood clinic) located in the district in which you reside. For emergency care, you may access any government hospital casualty (emergency) room. There are seven regional hospitals and numerous suburban polyclinics run by the Ministry of Public Health. A civil ID card is required to receive care in the government system (in an emergency a passport is sufficient). The Ministry of Health will shortly apply compulsory medical insurance on all expatriates living in the country.

The private sector has several clinics and hospitals that operate on a fee-for-service basis. It is important to be a cautious consumer. Ask for the name, action and side effects of any medication prescribed. Volunteer useful information such as allergies, medication currently taken, and medical history. Should hospitalization be necessary, request a copy of your medical record, or a medical summary to take with you upon discharge. It is important to plan ahead. Do not wait for an emergency to develop a plan of action.

Food:

In addition to Middle Eastern cuisine, local restaurants offer a wide variety of international selections, including French, Italian, Indian, Chinese, Japanese, Mexican and American (fast food). Food inspection is under the strict supervision of the health department of the Municipality. Imported food supplies cannot be cleared without a certificate from health authorities.

X: APPENDICES

Appendix A: Country Data

-Population: According to the census of April 1995, Kuwait's most recent official count, Kuwait's population was 1.58 million (1). However, according to the more recent figures supplied by the Ministry of Planning, the June 1999 population estimate is 2.273 million.

-Population Growth Rate (percent): As of June 1999 population growth rate was estimated to be 3.35 percent for Kuwaitis and 1.6 percent for the total population (1).

-Religion(s): Kuwait is an Islamic state and the vast majority of the population is Muslim. Other major religions in Kuwait are Christianity, Hinduism and Buddhism.

-Government System: an Amir in conjunction with a freely elected National Assembly rules the country. Both are provided for in Kuwait's Constitution.

-Languages: Arabic is the official language of the state, but English is widely used by the business community.

-Work Week: -The public sector: Saturday through Wednesday. The private sector: Saturday through Thursday. The banking and financial sector: Sunday through Thursday.

Sources:

(1): Ministry of Planning, Central Statistical Office

X: ECONOMIC AND TRADE STATISTICS

Appendix B: Domestic Economy

(Estimates in US\$ Millions except where noted)

	1998	1999	2000 (Embassy projection)
GDP (1)	25,305	29,713	37,312
GDP Growth Rate (%)	(15.25)	17.42	25.57
GDP per capita	11,143	13,176	16,546
Government spending as percent of GDP (%) (2)	52.34	47.05	41.98
Inflation (%) (3)	0.3	4.5	2.7
Unemployment (%) * (1)	1.0	1.0	1.2
Forex Reserves ** (4)	3,700	3,719	4,505
Average Exchange Rate	0.305	0.304	0.305

for US\$ 1.00 (4)

Debt Service Ratio (5)	1.12	1.13	0
U.S. Economic Assistance	0	0	0

* This reflects frictional unemployment among Kuwaiti citizens. Unemployment, whether frictional or real, among expatriate workers is not calculated. Underemployment does occur in Kuwait.

** Excluding Gold

Sources of data:

- (1) Ministry of Planning, Central Statistical Office
- (2) Kuwait's Budgets for FY's 98/99, 99/2000 and 2000/01
- (3) Quarterly Statistical Bulletin, October - December 1999. Central Bank of Kuwait
- (4) Monthly Monetary Statistics, March 2000. Central Bank of Kuwait
- (5) Kuwait Investment Authority

Appendix C: Domestic Economy

(Estimates in US\$ Millions except where noted)

	1998	1999	2000 (Embassy projection)
Total Country Exports	9,548	12,197	19,400
Total Country Imports	8,610	7,536	8,290
U.S. Exports	1,479	909	1,240
U.S. Imports	1,470	1,578	4,700

Appendix D: U.S. Investment

-US\$1.0 billion (U.S. Department of Commerce 1999 data)

Post is aware of the following U.S. joint ventures in Kuwait:

- Blount, Inc. / Boodai Construction(West Point Engineering)
- Carrier Corporation / Morad Yousuf Behbehani
(Kuwait American Air Conditioning, K.S.C.)
- DMJM International / Project Management and Control(PMF)
- General Dynamics Land Systems / Kuwait Coastal International
(Kuwait Dynamics Limited)
- Halliburton-Smith & MI Drilling Fluids / Kuwaiti Investors
(Dresser (Kuwait) S.A.K.)
- Honeywell, Inc. / A.H. Al-Sagar & Brothers(Honeywell, K.S.C.)
- Hughes International Corporation / Dhow Holding Company
(Gulf Industrial Technology, K.S.C.)
- Information Handling Services / National Consulting Bureau
(IHS/NCB Joint Venture)
- J.A. Jones Construction Co. / Kuwait United Construction
Mgmt.(J.A. Jones/KUCM Joint Venture)
- Metcalf & Eddy / KEO International Consultant(ME/KEO Joint Venture)
- Motorola International Service / Al-Khaldiya Electronics
(Advanced International Electronic Equipment Company, W.L.L.)
- Sprint International / Ministry of Communications(Kuwait Electronic Messaging Services)
- T-Com / Delta Group(T-Com Limited)
- Telos Corporation / Al-Khaldiya Electronics(Telos International Limited)
- Turner Construction Company / Project Analysis & Control
Systems Company (Turner-Projacs)
- Union Carbide Corporation / Petrochemical Industries Company (Equate)

Appendix E: U.S. and Country Contacts

U.S. Embassy Trade Related Contacts

Senior Commercial Officer: Patricia Gonzalez
Tel: (965) 539-5307, Ext. 2354 Fax: (965) 538-0281

Commercial Attaché: Charles T. Winburn
Tel: (965) 539-5307, Ext. 2563 Fax: (965) 538-0281

Senior Commercial Specialist: Kamal Zaher
Tel: (965) 539-5307, Ext. 2506 Fax: (965) 538-0281

Commercial Specialist: Abdulla Mejalli
Tel: (965) 539-5307, Ext. 2487 Fax: (965) 538-0281

Commercial Specialist: Vacant
Tel: (965) 539-5307 Fax: (965) 538-0281

U.S. Agricultural Trade Office
P.O.Box 9343
Dubai, U.A.E.
Tel: (971-4) 331-4063, Fax: (971-4) 331-4998
E-mail: atodubai@emirates.net.ae
Home page: <http://www.usembabu.gov.ae/atodubai.htm>
Contact: Ron Verdonk, Regional Director
(Covers: Bahrain, Kuwait, Oman, Qatar and U.A.E.)

The Public Authority for Agricultural Affairs and Fish Resources
Contact: Mr. Mohammad Al-Sayed Abdul Mohsen Al-Refai
Title: Chairman of the Board and Director General
P.O.Box 21422, Safat
13075 Kuwait
Tel: (965) 476-1116/7/8/9
Fax: (965) 476-5551

The Public Authority for Agricultural Affairs and Fish Resources
Contact: Mr. Mohammad Al-Sayed Abdul Mohsen Al-Refai
Title: Chairman of the Board and Director General
P.O.Box 21422, Safat
13075 Kuwait
Tel: (965) 476-1116/7/8/9
Fax: (965) 476-5551

Directorate of Standards & Metrology
Public Authority for Industry
Contact: Mr. Khalid A. Al-Fahed
Title: Director of Standards & Metrology
P.O.Box 4690, Safat
13047 Kuwait
Tel: (965) 246-5103
Fax: (965) 243-6638

AMCHAM and/or Bilateral Business Councils

American Business Council-Kuwait
Contact: Mr. Michael Harris
Title: President
C/O The American Embassy Kuwait

P.O. Box 77 Safat
13001 Kuwait
Tel: (965) 564-6365
Fax: (965) 564-6365
Email: mmike@qualitynet.net

National U.S.-Arab Chamber of Commerce
Contact: Mr. Richard P. Holmes
Title: President
1100 New York Avenue, N.W.
East Tower, Suite 550
Washington, D.C. 20005
Tel: (202) 289-5920
Fax: (202) 289-5938

Middle East Policy Council
Contact: Mr. George McGovern
Title: President
1730 M Street, N.W.
Suite 512
Washington, D.C. 20036
Tel: (202) 296-6767
Fax: (202) 296-5791

National Council on U.S.-Arab Relations
Contact: Dr. John Duke Anthony
Title: President and Chief Executive Officer
1140 Connecticut Avenue, N.W.
Washington, D.C. 20006
Tel: (202) 293-0801
Fax: (202) 293-0903

Country Trade or Industry Associations in Key Sectors:

The Kuwait Chamber of Commerce and Industry
represents all businesses in Kuwait.
Contact: Mr. Ahmad R. Al Haroun
Title: Director General
P.O. Box 775 Safat
13008 Kuwait
Tel: (965) 243-5801
Fax: (965) 240-4110

The Public Authority for Agricultural Affairs and Fish Resources
Contact: Mr. Mohammad Al-Sayed Abdul Mohsen Al-Rifai
Title: Chairman of the Board and Director General
P.O. Box 21422, Safat
13075 Kuwait
Tel: (965) 476-1116/7/8/9
Fax: (965) 476-5551

Country Government Offices Relating to Key Sectors and/or
Significant Trade Related Activities (Note: Kuwait is expected to name a new cabinet in July,
1999)

Country Government Offices Relating to Key Sectors and/or
Significant Trade Related Activities:

Crown Prince and Prime Minister:
Shaikh Saad Al-Abdulla Al-Salem Al-Sabah
Thru: Shaikh Faisal H. Al Sabah, PR Director
P.O. Box 4, Safat
13001 Kuwait
Tel: (965) 539-0211
Fax: (965) 539-4060

First Deputy Prime Minister/Minister of Foreign Affairs
Shaikh Sabah Al Ahmad J. Al Sabah
Thru: Amb. Ahmad Al Fahed, Director
P.O. Box 3, Safat
13001 Kuwait
Tel: (965) 244-8098/6
Fax: (965) 243-0559

Deputy Prime Minister/Minister of Defense
Minister: Shaikh Salem Sabah Al-Sabah
Thru: BG Yacoub Al-Sewaiti, Office Director
P.O. Box 1170, Safat
13012 Kuwait
Tel: (965) 483-1570
Fax: (965) 483-7601

Minister of Finance & Communications
Shaikh Ahmad Abdullah Al-Ahmad Al-Sabah
Thru: Mr. Fahed Al-Oudeh, Office Director

P.O. Box 9, Safat
13001 Kuwait
Tel: (965) 241-0513
Fax: (965) 243-4862

Deputy Prime Minister/Minister of State for Cabinet Affairs/Minister of State for National Assembly Affairs
Mr. Mohammad Dhaifallah Sharar
Thru: Mr. Abdullah Al Aslawy, Office Director
P.O. Box 1397, Safat
13014 Kuwait
Tel: (965) 245-5118
Fax: (965) 242-0931

Minister of State for Foreign Affairs
Mr. Suleiman Majed Al-Shahin
P.O. Box 3, Safat
13001 Kuwait
Tel: (965) 244-8098/6
Fax: (965) 243-0559

Minister of Commerce and Industry/Minister of Social Affairs & Labor
Mr. Abdulwahab Al-Wazzan
Thru: Mr. Abdullah Al-Hajeri, Office Director
P.O. Box 2944, Safat
13030 Kuwait
Tel: (965) 246-9131
Fax: (965) 242-1826

Minister of Education/Minister of Higher Education
Dr. Yousef Hamad Al-Ibrahim
Thru: Mr. Abdullah Rashed Suleiman, Office Director
P.O. Box 7, Safat
13001 Kuwait
Tel: (965) 483-7890
Fax: (965) 483-7601

Minister of Electricity & Water/Minister of State for Housing
Dr. Adel Khaled Al-Subaih
Thru: Mr. Waleed Al Saleem, Office Director
P.O. Box 12, Safat
13001 Kuwait
Tel: (965) 488-2991

Fax: (965) 488-5710

Minister of Information

Dr. Saad bin Tefla Al-Ajmi

Thru: Mr. Turki Al-Thaydi, Office Director

P.O. Box 193, Safat

13002 Kuwait

Tel: (965) 245-1566

Fax: (965) 245-9530

Minister of Interior

Shaikh Mohammed Khaled Al Sabah

Thru: LTC Bashir Al Enizi, Office Director

P.O. Box 11, Safat

13001 Kuwait

Tel: (965) 242-4007

Fax: (965) 243-5771

Minister of Justice/ Minister of Awkaf & Islamic Affairs

Dr. Saad Jassem Y. Al-Hashel

Thru: Mr. Falah Ajeel Al-Helfi, Office Director

P.O. Box 6, Safat

13001 Kuwait

Tel: (965) 246-5677

Fax: (965) 240-1556

Minister of Oil

Shaikh Saud Nasser Al-Sabah

Thru: Mr. Suhail Al Mutairi, Office Director

P.O. Box 5077, Safat

13051 Kuwait

Tel: (965) 245-4545

Fax: (965) 241-0521

Minister of Planning & Minister of State for Administrative
Development

Dr. Mohammad Ibteihan Al-Duwaihes

Thru: Mr. Mohammad Belal, Office Director

P.O. Box 15, Safat

13001 Kuwait

Tel: (965) 242-6077

Fax: (965) 240-6984

Minister of Public Health
Dr. Mohammad Ahmad Al-Jarallah
Thru Mr. Wugayan Al Wugayan, Office Director
P.O. Box 5, Safat
13001 Kuwait
Tel: (965) 242-2131
Fax: (965) 241-9678

Minister of Public Works
Mr. Eid Hathal Al-Rashidi
Thru: Mr. Mishal Al-Hebaishi, Office Director
P.O. Box 8, Safat
13001 Kuwait
Tel: (965) 244-9300
Fax: (965) 242-4335

Kuwait Municipality
Contact: Abdel Rahman Al-Duaij
Title: Director General
P.O. Box 10, Safat
13001 Kuwait
Tel: (965) 241-0725/245-4525
Fax: (965) 240-0012

Embassy of Kuwait in the United States
2940 Tilden Street, N.W.
Washington, D.C. 20008
Tel: (202) 966-0702
Fax: (202) 966-0517

Consulate of Kuwait
321 E. 44th Street
New York, NY 10017
Tel: (212) 973-4300
Fax: (212) 966-0517

Country Market Research Firms:

Focus Marketing Consultancy Ltd.
Contact: Dr. Camille Gedeon
Title: Managing Partner
P.O. Box 9650, Salmiya

22097 Kuwait

Tel: (965)242-4058 242-2506 245-1759 243-1128

Fax: (965)240-1595 or 241-1179

ICA Corporate Research

Contact: Mr. Ziad Al-Hussaini

Title: General Manager

P.O. Box 29883 Safat

13159 Kuwait

Tel: (965) 246-3177

Fax: (965) 246-3155

E-Mail: ica@kuwait.net

Pan Arab Research Center (PARC) (Gallup International Affiliate)

Contact: Mr. Khaled Shahouri

Title: Marketing Manager

P.O. Box 24744 Safat

13108 Kuwait

Tel: (965) 245-0783/245-0784

Fax: (965) 245-0786

Al-Shall Economic Consultants

Contact: Mr. Jassim Al-Sadoun

Title: Managing Director

P.O. Box 5935 Safat

13060 Kuwait

Tel: (965) 245-1535

Fax: (965) 242-2619

Country Commercial Banks:

Al-Ahli Bank

Contact: Mr. Nasser A. Malek

Title: General Manager

P.O.Box 1387 Safat

13014 Kuwait

Tel: 965-240-0900

Fax: 965-242-4557

Bank of Bahrain and Kuwait

Contact: Mr. Michael Khazen

Title: Chairman

P.O. Box 24396 Safat

13104 Kuwait
Tel: 965-241-7140
Fax: 965-244-0937

Bank of Kuwait & the Middle East
Contact: Saleh Mubarak Al Falah
Title: Chairman & Managing Director
P.O.Box 71 Safat
13001 Kuwait
Tel: 965-245-9771
Fax: 965-246-1430

Burgan Bank
Contact: James McNie
Title: Chairman & General Manager
P.O.Box 5389 Safat
13054 Kuwait
Tel: 965-243-9000
Fax: 965-246-2516

Commercial Bank of Kuwait
Contact: Jamal Al-Mutawa
Title: General Manager & CEO
P.O.Box 2861 Safat
13029 Kuwait
Tel: 965-241-1001
Fax: 965-245-0150

Industrial Bank of Kuwait
Contact: Saleh Al Yousef
Title: Chairman & Managing Director
P.O.Box 3146 Safat
13032 Kuwait
Tel: 965-245-7661
Fax: 965-246-2057

Kuwait Finance House
Contact: Mr. Bader A. Mukhazeem
Title: Managing Director
P.O.Box 24989 Safat
13110 Kuwait
Tel: 965-244-5050
Fax: 965-240-9414

Kuwait Real Estate Bank
Contact: Wafaa Al Qatami
Title: Acting General Manager
P.O.Box 22822 Safat
13089 Kuwait
Tel: 965-245-8177
Fax: 965-246-2516

National Bank of Kuwait
Contact: Ibrahim Dabdoub
Title: Chief General Manager
P.O.Box 95 Safat
13001 Kuwait
Tel: 965-242-2011
Fax: 965-245-9032

The Gulf Bank
Contact: Ziad F. Sarawan
Title: Chief General Manager
P.O.Box 3200 Safat 13032 Kuwait
Tel: 965-244-9501
Fax: 965-244-5212

Washington-based U.S. Government Country Contacts:

Kuwait Desk Officer – David Gugliemi
U.S. Department of Commerce
14th & Constitution Ave., N.W.
Washington, D.C. 20230
Tel: (202) 482-5506
Fax: (202) 482-0878

US&FCS Regional Director – Kevin Brennan
U.S. Department of Commerce
14th & Constitution Ave., N.W.
Washington, D.C. 20230
Tel: (202) 482-4836
Fax: (202) 482-5179

Public Affairs Office
U.S. Army Corps of Engineers
Middle East Division

P.O. Box 2250
Winchester, VA 22601-1450

TPCC Trade Information Center
Tel: 1-800-USA-TRADE

U.S. Contact Information:

Trade Assistance and Promotion Office (TAPO)
Foreign Agricultural Service (FAS)
U.S. Department of Agriculture
Ag Box 1052
Washington, D.C. 20250-1052
Tel: 202-720-7420
Fax: 202-690-4374

The FAS Home Page address on Internet is <http://www.fas.usda.gov>

Appendix F: Market Research

TRADE, INDUSTRY AND CONTACT INFORMATION
AVAILABLE FROM FCS KUWAIT

A. Lists of Agents/ Distributors:

1. Agriculture
2. Air Conditioning
3. Auto Spare Parts
4. Building Materials and Building Contracting
5. Chemicals
6. Cleaning Services
7. Computers
8. Cosmetics, Perfumes, and Skin Care Products
9. Defense

10. Electrical Power Generation Equipment and Services
11. Engineering and Consulting Firms
12. Financial Institutions
13. Freight Forwarders/Shipping
14. Home Furniture
15. Kitchen Equipment
16. Medical Equipment
17. Oil and Gas Equipment
18. Operation and Maintenance Services
19. Printing Equipment and Supplies
20. Safety and Security Companies
21. Telecommunications
22. Travel Agents

B. Industry Sub-sector Analyses (ISA's)

1. Air Conditioning Equipment (June 1998)
2. Building Products (July 1999)
3. Computer Equipment (April 1998)
4. Construction Services (July 1995)
5. Cosmetics (June 1997)
6. Franchises (January 1998)
7. Environmental Control (June 1998)

8. Home Furniture (September 1996)
9. Laboratory Instruments (April 1995)
10. Management Consulting Services (August 1997)
11. Maternity and Nursery Products (January 1995)
12. Medical Equipment and Supplies (June 1999)
13. Paper and Paperboard (April 1997)
14. Pharmaceuticals (June 2000)
15. Plastic Machinery (May 1997)
16. Pleasure Boats and Accessories (August 1999)
17. Security Equipment (June 1997)
18. Sporting Equipment (September 1996)
19. Telecommunications Services (September 1995)
20. Toys or Games (April 1997)
21. Technical Training (July 2000)

C. FCS Kuwait Special Reports:

1. Air Defense System Purchase (June 1996)
2. Arms Purchase Procedures Clean-up Project (January 1997)
3. Commissions on State Contracts (September 1996)
4. Country Data
5. Country Reports on Economic Policy and Trade Practices
6. Export-Import Bank Programs and Information

7. Imports from Kuwait
8. Intellectual Property Right Protection Law (August 1996)
9. Investment Climate (July 1997)
10. Law No. 25 Disclosure of Commissions
11. Leading Sectors for U.S. Exports & Investments
12. Merchandise Trade - U.S. Exports by Country
13. Oil Contamination Clean-up Project (January 1997)
14. Political Environment
15. Power Consultants (August 1996)
16. Proposed Cuts in Foreign Corporate Tax (August 1996)
17. Total Mid-Year Population & Projections to 2050
18. Trade
19. Trade and Project Planning
20. Trade Event Schedule
21. Trade Regulations & Standards
22. U.S. and Country Contacts
23. U.S. Trade by Commodity with Kuwait
24. World Fact Book

Note: FCS reports are available on the National Trade Data Bank.

2. List of Agricultural Reports

List of Agricultural Reports:

-Agricultural Export Opportunities Update Reports

- American Food Directory in the GCC-5
- Guide for Doing Business in the Gulf
- Update of U.S. Agricultural Exports to the GCC-5
- Kuwait Food Retail Sector Report
- Kuwait Food and Agricultural Import Regulations and Standards
- GCC-5 Dry Pulses Market Brief
- GCC-5 Food Industry Report
- Kuwait Annual Poultry Meat Report
- Kuwait Frozen Vegetables Market Brief

Note: Agricultural Reports are available from the Reports Office, USDA/FAS, Ag Box 1052, Washington, D.C. 20250-1052 and from the FAS Home Page on the Internet at the following URL:
<http://www.fas.usda.gov>

Appendix G: Trade Event Schedule

FCS Kuwait Plans to Organize Kuwaiti Buyer Delegations to Attend the Following U.S. Trade Shows:

1. Agricultural Trade Event Schedule:

Event: Gulf Food 2001 Food & Equipment Exhibition (Regional)

Sector: FOD

Date: February 25-28, 2001

Location: Dubai, U.A.E.

USG involvement in recruiting/promoting: yes

Event: The FMI 2001 Supermarket Industry Convention & Educational Exposition/NASDA U.S. Food Export Showcase

Sector: FOD

Date: May 6-8, 2001

Location: Chicago, IL

USG involvement in recruiting/promoting: yes

Event: The NRA 2001 Restaurant, Hotel, Motel Show

Sector: FOD

Date: May 19-22, 2001

Location: Chicago, IL

USG involvement in recruiting/promoting: Yes

Note: All major U.S. food and agricultural exhibitions are listed on the FAS Home Page on the Internet at the following URL: <http://www.fas.usda.gov>

2. Trade Event Schedule for Non-Agricultural Sectors:

Event: MEDTRADE

Sector: MED – Medical Instruments, Equipment & Supplies

Date: Oct, 2000

Location: Orlando, Florida

USG involvement in recruiting/promoting: Yes

Event: Power-Gen

Sector: ELP – Electrical Power Generation & Distribution Equipment

Date: Nov, 2000

Location: Orlando, Florida

USG involvement in recruiting/promoting: Yes

Event: Comdex

Sector: CPT/CSF Computers & Peripherals / Software

Date: Nov, 2000

Location: Las Vegas, Nevada

USG involvement in recruiting/promoting: Yes

Event: American Education EXPO - 2001

Sector: EDS – College and University Fair

Date: Feb, 2001

Location: Kuwait City, Kuwait

USG involvement in recruiting/promoting: Yes (CTF)

Event: Magic International (Winter) Show

Sector: APP - Apparel

Date: Feb, 2001

Location: Las Vegas, Nevada

USG involvement in recruiting/promoting: Yes

Event: Offshore Technology Conference

Sector: OGM – Oil and Gas Equipment

Date: May, 2001

Location: Houston, Texas

USG involvement in recruiting/promoting: Yes

Event: ASTD

Sector: EDS – Educational & Training Services

Date: May, 2001

Location: Dallas, Texas

USG involvement in recruiting/promoting: Yes

Note: Because trade event schedules may change, firms should consult the FCS Export Promotion Calendar on the NTDB or contact FCS Kuwait for the latest information.